THE FOLLGARD GROUP INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting of the Shareholders of **THE FOLLGARD GROUP INC.** (the "Corporation") will be held at the offices of McLeod & Company, Barristers and Solicitors, #800, 11012 Macleod Trail South, Calgary, Alberta, T2J 6A5, on May 18, 1995, at 10:00 a.m. (Calgary time) for the purposes of:

(a) receiving and considering the unaudited financial statements of the Corporation for the period ended December 31, 1994;

(b) electing the directors for the ensuing year;

(c) appointing auditors for the ensuing year and authorizing the directors to fix their remuneration; and

(d) the acquisition of all issued and outstanding shares of Follgard CD Visions Inc. and D.G.S. Computers Inc. as the Corporation's Major Transaction;

(e) approving the Corporation's Stock Option Plan; and

(f) transacting such other business as may properly come before the said meeting or any adjournment thereof.

DATED: March 31, 1995.

By Order of the Board of Directors

signed "John Follgard"
JOHN FOLLGARD
Chairman

If you are unable to be present at the meeting, PLEASE SIGN AND RETURN THE ACCOMPANYING PROXY to the Montreal Trust Company of Canada, 411 - 8th Ave. S.W., Calgary, Alberta T2P 1E7 by noon (Calgary time) on the business day preceding the day of the Meeting or any adjournment thereof.

The Alberta Stock Exchange has not in any way passed upon the merits of the Major Transaction described in this Information Circular and any representation to the contrary is an offence.

THE FOLLGARD GROUP INC.

INFORMATION CIRCULAR

FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 1995

SOLICITATION OF PROXIES

This Information Circular is provided in connection with the solicitation, by management of **The Follgard Group Inc.** (the "Corporation"), of proxies for the annual and special meeting of shareholders of the Corporation (the "Meeting") to be held on **May 18, 1995**, at the office of McLeod & Company, Barristers & Solicitors, #800, 11012 Macleod Trail South, Calgary, Alberta T2J 6A5, at 10:00 a.m. (Calgary time).

The cost of such solicitation will be borne by the Corporation and will be made primarily by mail. Directors and officers of the Corporation may without special compensation solicit proxies by telephone, telegram or in person.

APPOINTMENT AND REVOCATION OF PROXIES

Shareholders have the right to appoint a nominee (who need not be a shareholder) to represent them at the meeting other than the persons designated in the enclosed form of proxy, and may do so by inserting the name of the appointed representative in the blank space provided in the form of proxy.

A form of proxy will not be valid for the meeting or any adjournment thereof unless it is completed by the shareholder or by his attorney authorized in writing and delivered to the Montreal Trust Company of Canada, 411 - 8th Avenue, S.W. Calgary, Alberta T2P 1E7, by noon (Calgary Time) on the business day preceding the day of the meeting or any adjournment thereof.

In addition to revocation in any other manner permitted by law, a shareholder who has given a proxy may revoke it any time before it is exercised by instrument in writing, executed by the shareholder or by his attorney authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the

proxy is to be used, or with the chairman of such meeting on the day of the meeting or any adjournment of the meeting.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are each an officer and/or a director of the Corporation, and have indicated their willingness to represent as proxy the shareholder who appoints them. Each shareholder may instruct his proxy how to vote his shares by marking the appropriate box(es) on the proxy form.

The persons named in the accompanying proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, the shares will be voted in favour of:**

1. **The election of the persons proposed to be nominated as directors;**
2. **The appointment of Ladell Perry, Chartered Accountants, as auditors of the Corporation;**
3. **The acquisition of all issued and outstanding shares of Follgard CD Visions Inc. ("CD Visions") and D.G.S. Computers Inc. ("D.G.S.") as the Corporation's Major Transaction;**
4. **The Corporation's Stock Option Plan.**

THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. At the time of printing of this Information Circular, the directors and senior officers of the Corporation know of no such amendment, variation or other matters to come before the meeting other than the matters referred to in the Notice of Meeting and the Information Circular. If any matters which are not now known to the directors and senior officers of the Corporation should properly come before the meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgment.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares without nominal or par value. Since the date of incorporation the Corporation has issued 1,500,000 Common Shares pursuant to initial subscriptions and 1,750,000 Common Shares pursuant to a prospectus dated December 7, 1994. The Corporation is currently involved in a private placement in which up to 812,500

Common Shares will be issued at a price of $1.50 per share upon closing. The closing date for the private placement is set for May 31, 1995. As of the date of this Information Circular 3,250,000 Common Shares without nominal or par value were issued and outstanding.

Each Common Share entitles the holder to one vote on all matters to come before the meeting. No group of shareholders has the right to elect a specified number of directors nor are there cumulative or similar voting rights attached to the Common Shares of the Corporation. The directors of the Corporation have fixed **March 31, 1995**, as the record date for determination of the persons entitled to receive notice of the meeting.

Shareholders of record as of the record date are entitled to vote their common shares except to the extent that they have transferred the ownership of any of their shares after the record date, and the transferees of those shares produce properly endorsed shares certificates or otherwise establish that they own the shares, and demand, not later than 10 days before the meeting, that their name be included in the shareholder list before the meeting, in which case the transferees are entitled to vote their shares at the meeting.

To the knowledge of the management of the Corporation, as of the date of this Information Circular, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting shares of the Corporation carrying more than ten percent of the voting rights attached to all shares of the Corporation, except as set out in the table below:

Name and Municipality of Residence	Number of Common Shares Beneficially Held	Percentage of Outstanding Common Shares
John Follgard Calgary, Alberta	750,000	23.07%
Dr. A. Gordon Kluzak Millarville, Alberta	750,000	23.07%

Pursuant to Policy Statement 4.11 of the Alberta Securities Commission, all Common Shares held by promoters, officers, directors, other insiders and associates or affiliates of these persons or companies of the Corporation and of other related parties to the Major Transaction will not be voting shares for the purposes of approving the Major Transaction.

LOAN AND CAPITAL STRUCTURE [1] [2]

Capital	Authorized	Currently Outstanding	Outstanding on Completion of the Major Transaction[3,4,5]
Common Shares	Unlimited	3,250,000 ($500,000)	8,385,000 ($1,527,000)
First Preferred	Unlimited	Nil	2,565,000 [6] ($513,000)
Second Preferred	Unlimited	Nil	Nil

(1) The Corporation's debt for the period ended December 31, 1994 was $286,583.
(2) The deficit of the Corporation for the period ended December 31, 1994 was $75,369.
(3) Assumes the Corporation's agent will not exercise any of its 50,000 stock options to purchase Common Shares. See "Stock Option Plan".
(4) Assumes the completion of the proposed Major Transaction and the issuance of up to 5,135,000 Common Shares and 2,565,000 First Preferred Shares to acquire all the issued and outstanding shares of Follgard CD Visions Inc. and D.G.S. Computers Inc. See "Major Transaction".
(5) It is anticipated that an additional 812,500 Common Shares will be issued pursuant to a private placement which will close on or about May 31, 1995.
(6) The First Preferred Shares to be issued will be non-voting and convertible to Common Shares. See "Major Transaction"

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts since incorporation, except:

1. An Agency Agreement dated December 1, 1994, among the Corporation, Roger & Partners Securities Inc. and the Montreal Trust Company of Canada.

2. An Escrow Agreement dated December 1, 1994, among the Corporation, Montreal Trust Company of Canada and Security Holders of the Corporation.

3. Transfer Agency and Registrar Agreement dated October 1, 1994 between the Corporation and The Montreal Trust Company of Canada.

4. Option Agreements dated September 13, 1994 between the Corporation and each of the directors of the Corporation.

5. Consulting Agreement dated January 18, 1995 between the Corporation and Donald V. Halstead.

6. Option Agreement dated January 24, 1995 between the Corporation and Donald V. Halstead.

7. Letter of Intent dated January 25, 1995 among the Corporation, John Follgard, Stan Grist, Peter Friedrich, Gerry Wong, Michel Clairo and Follgard CD Visions Inc.

8. Letter of Intent dated January 25, 1995 among the Corporation, John Follgard, Jason Deyholos, Steven Deyholos, Troy Wood, A. Gordon Kluzak and D.G.S. Computers Inc.

9. Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Stan Grist, Peter Friedrich, Gerry Wong, Michel Clairo and Follgard CD Visions Inc.

10. Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Jason Deyholos, Steven Deyholos, Troy Wood, A. Gordon Kluzak and D.G.S. Computers Inc.

Copies of these Agreements described above are available for review at the office of McLeod & Company, 800 - 11012 Macleod Trail S., Calgary, Alberta, during ordinary business hours up to and including the day of the meeting.

TRADING RANGE OF THE COMMON SHARES

The following table shows the particulars, to close of trading on March 31, 1995, of the trading of the Common Shares of the Corporation on The Alberta Stock Exchange since listing on February 2, 1995.

Date	High	Low	Close	Volume	Value
Feb. 95	$1.80	$1.00	$1.70	751,735	$970,060
Mar. 95	$1.74	$1.50	$1.68	156,550	$262,529

ELECTION OF DIRECTORS

At the meeting it is proposed that Six (6) directors be elected to serve until the next annual general meeting or until their successors are elected or appointed in accordance with the *Business Corporations Act* (Alberta) and the By-laws of the Corporation. There are presently Six (6) directors of the Corporation.

The following table indicates the names of the nominees for directors, the date each such person first became a director (if applicable), the principal occupation of each such person and the number of Common Shares of the Corporation beneficially owned or controlled (directly or indirectly) by each such person. The information contained in this table as to the number of shares of the Corporation beneficially owned or controlled, directly or indirectly, is based upon information furnished to the Corporation by the respective nominees. The board of directors is required to appoint an Audit Committee, the proposed members of which are indicated in the table.

Name, Municipality of Residence and Date First Became a Director	Principal Occupation During Past Five Years	Common Shares Beneficially Owned or Controlled Before Major Transaction	Common Shares Beneficially Owned or Controlled After Major Transaction
John Follgard Calgary, Alberta Director since August, 1994	Chairman of Investco Holdings Inc. and Maximum Endeavours Inc. since 1991. Founder and Trainer of the Career Development Seminars since 1975. Founder, Officer, Director and General Manager of Epicore Networks Inc. from January 1991 to January 1994. Chairman of The Quality Group Inc. since June 1993. Chairman of Follgard Inc. and Follgard Cattle Company Inc. since January 1994. Chairman of Follgard CD Visions Inc. since April 1994. Officer and Director of D.G.S. Computer Inc. since 1994.	750,000 (23.07%)	2,507,500 (30.00%) Mr. Follgard will also beneficially own or control 1,282,500 First Preferred Shares after the Major Transaction

Name, Municipality of Residence and Date First Became a Director	Principal Occupation During Past Five Years	Common Shares Beneficially Owned or Controlled Before Major Transaction	Common Shares Beneficially Owned or Controlled After Major Transaction
Dr. A. Gordon Kluzak* Millarville, Alberta Director since August, 1994	Pedodontist since 1956. Owner of Kluzak Angus Ranch since 1990. Vice-President and Director of Epicore Networks Inc. from January 1, 1991 to August 1, 1994 Director of Westwater Industries from April 1987 to July 1993.	750,000 (23.07%)	1,290,000 (15.39%)
Rosemary Kumlin* Calgary, Alberta Director since August, 1994	Controller and Secretary of The Quality Group Inc., Investco Holdings Inc., Maximum Endeavours Inc., D.G.S. Computers Inc., Follgard CD Visions Inc. and Follgard Inc. since March 1994. Treasurer and CFO for Epicore Networks Inc. from August, 1991 to March 1994. Controller of Canada Training Group Inc. from June, 1990 to July, 1991. Controller of General Fasteners Inc. from December, 1985 to June, 1990.	10,000 (0.3%)	10,000 (0.12%)

Name, Municipality of Residence and Date First Became a Director	Principal Occupation During Past Five Years	Common Shares Beneficially Owned or Controlled Before Major Transaction	Common Shares Beneficially Owned or Controlled After Major Transaction
Mike Rogers Calgary, Alberta Director since August, 1994	General Sales Manager for Follgard Inc. since May, 1994. Vice President of New Sport Horizons since April, 1993. Sales Representative with Data Business Forms from December 1991 to June 1994. Sales Representative with McCrum's Office Furnishings from April, 1990 to December 1991. Sales Representative with Calgary Copier Ltd. from December, 1987 to April, 1990.	5,000 (0.15%)	5,000 (0.006%)
Jason Deyholos* Calgary, Alberta Director since August, 1994	President of D.G.S. Computers Inc. since November, 1990. President of Patron Data Systems Inc. from October 1988 to October 1990. Branch Manager of Patron Equipment Supply Ltd. from August 1985 to October 1988.	10,000 (0.3%)	550,000 (6.56%)

Name, Municipality of Residence and Date First Became a Director	Principal Occupation During Past Five Years	Common Shares Beneficially Owned or Controlled Before Major Transaction	Common Shares Beneficially Owned or Controlled After Major Transaction
Gerry Wong* Calgary, Alberta Director since August, 1994	President of Follgard CD Visions Inc. from April, 1994. Supervisor with Alexander & Alexander Reed Stenhouse Ltd. from May, 1984 to November, 1993.	Nil	304,375 (3.63%) Mr. Wong will also beneficially own or control 320,625 First Preferred Shares after the Major Transaction

* Members of the proposed Audit Committee

STATEMENT OF EXECUTIVE COMPENSATION

1. Directors

In the last completed financial year of the Corporation the directors of the Corporation were not paid cash compensation in their capacities as such. The directors are reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors.

2. Officers

In the last completed financial year of the Corporation the officers of the Corporation were paid total aggregate cash compensation not exceeding $1,000 in their capacities as such. The aggregate value of all other compensation not described in this Information Circular paid or payable by the Corporation to executive officers of the Corporation was nil.

3. Option Agreements

The Corporation has a Stock Option Plan (see "Stock Option Plan") under which options to purchase Common Shares of the Corporation are granted to directors,

officers and key employees. As of the date of this Information Circular, the Corporation granted options to purchase 325,000 common shares as set out in the following table:

Name	Number of Common Shares Under Option	Exercise Price Per Common Share	Expiry Date
John Follgard	50,000	$0.20	September 13, 1999
A. Gordon Kluzak	50,000	$0.20	September 13, 1999
Jason Deyholos	50,000	$0.20	September 13, 1999
Gerry Wong	50,000	$0.20	September 13, 1999
Rosemary Kumlin	50,000	$0.20	September 13, 1999
Mike Rogers	50,000	$0.20	September 13, 1999
Donald V. Halstead	25,000	$0.20	January 24, 2000
Total	325,000		

All options granted to purchase Common Shares of the Corporation remain unexercised and outstanding. New option to purchase Common Shares of the Corporation may be granted to officers and directors of Follgard CD Visions Inc. and D.G.S. Computers Inc. upon completion of the Major Transaction.

STOCK OPTION PLAN

The Corporation has a Stock Option Plan (the "Plan") which was approved and adopted by the shareholders on September 13, 1994. Options granted pursuant to the Plan will not exceed a term of five years and are granted at an option price and on other terms which the directors determine is necessary to achieve the goal of the Plan and in accordance with regulatory policies. The option price may be at a discount to market price, which discount will not, in any event, exceed the following:

Market Price at Time of Grant (1)	Maximum Discount from Market Place
$0.50 or less	25%
$0.51 to $1.00	20%

Market Price at Time of Grant [1]	Maximum Discount from Market Place
$1.01 to $2.00	18%
$2.01 to $5.00	15%
Above $5.00	10%

(1) As determined by The Alberta Stock Exchange.

The number of Common Shares allocated to the Plan will be determined by the board of directors from time to time. The aggregate number of shares reserved for issuance under the Plan, other employee stock option plans, options for services, and employee stock purchase plans, may not exceed 10 percent of the issued and outstanding shares. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed five percent of the issued and outstanding shares.

The Common Shares, when fully paid for by a participant, are not included in the calculation of Common Shares allocated to or within the Plan. Should a participant cease to be eligible due to the loss of corporate office (being that of an officer or director) or employment, the option shall cease for varying periods not exceeding 90 days. Loss of eligibility for consultants is regulated by specific rules imposed by the directors when the option is granted to the appropriate consultant. The Plan also provides that estates of deceased participants can exercise their options for a period not exceeding 180 days following death.

The board of directors may from time to time make rules, regulations and amendments to the Plan. Should any rule, regulation or amendment materially differ from the provisions set out in this Information Circular, the Corporation shall obtain the necessary regulatory or shareholder approvals.

The shareholders will be asked to consider and approve the following resolution:

> IT IS RESOLVED THAT, subject to any regulatory approval, the Stock Option Plan in the form set out in **Schedule "A"** to the Information Circular of the Corporation be adopted and the same is hereby approved.

APPOINTMENT OF AUDITORS

The management of the Corporation proposes to nominate Ladell Perry, Chartered Accountants, as auditors for the Corporation at a remuneration to be fixed by the directors, to hold office until the close of the next Annual General Meeting of the Shareholders or

until they are removed from office by the Corporation or resign as provided by law. Ladell Perry, Chartered Accountants, have been the auditors for the Corporation since their original appointment on August 30, 1994.

FINANCIAL STATEMENTS

A copy of the Corporation's unaudited financial statements for the three month period ended December 31, 1994 is attached to this Information Circular as **Schedule "B"**.

MAJOR TRANSACTION

The shareholders of the Corporation are being asked to approve as the Corporation's Major Transaction the acquisition of all issued and outstanding shares of Follgard CD Visions Inc. ("CD Visions") and D.G.S. Computers Inc. (D.G.S.) and to authorize the issuance of up to 5,135,000 Common Shares of the Corporation and 2,565,000 First Preferred Shares both at a price of $0.20 per share, which issuance comprises the acquisition price of $1,000,000 for CD Visions and $540,000 for D.G.S. The purchase price is based, in part, on management's assessment of the Business Plans for each company, an Indication of Value for D.G.S., the unaudited projected financial statements of each company, all of which were prepared by The Tamarack Group Ltd., and the audited and unaudited financial statements of each company as prepared by Ladell Perry, Chartered Accountants.

The acquisition of the shares of CD Visions will be completed in accordance with a Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Stan Grist, Peter Friedrich, Gerry Wong, Michel Clairo and CD Visions, subject to shareholder and regulatory approvals. The acquisition of the shares of D.G.S. will be completed in accordance with a Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Jason Deyholos, Steven Deyholos, Troy Wood, A. Gordon Kluzak and D.G.S., subject to shareholder and regulatory approvals.

In compliance with section 3.4 of Alberta Securities Commission Policy 4.11 and paragraph 4.2 of Alberta Stock Exchange Circular No. 7, 5,135,000 Common Shares of the Corporation and 2,565,000 First Preferred Shares to be issued to the shareholders of CD Visions and D.G.S. shall be deposited with Montreal Trust Company of Canada pursuant to time release and performance escrow agreements or a voluntary pooling agreement as follows.

Of the 2,700,000 Common Shares of the Corporation to be issued to the shareholders of D.G.S., 1,620,000 Common Shares will be issued to Related Parties and will be subject to a time release escrow agreement in which one third of the Common Shares will be released each of the first, second and third anniversaries of the completion of the Major Transaction.

The balance of the Common Shares to be issued to shareholders of D.G.S. will be issued to non-Related Parties and will be subject to a voluntary pooling agreement in which the Common Shares will be released based on the same terms as the time release escrow agreement for Related Parties. See "Interest of Insiders in Material Transactions"

Of the 2,435,000 Common Shares of the Corporation to be issued to the shareholders of CD Visions, 1,521,875 will be issued to Related Parties and subject to a time release escrow agreement as described above. The balance of the Common Shares to be issued to the shareholders of CD Visions will be issued to non-Related Parties and will be subject to a voluntary pooling agreement as described above.

All of the 2,565,000 First Preferred Shares of the Corporation to be issued to the shareholders of CD Visions will be subject to a performance escrow agreement in which the First Preferred Shares will be releasable from escrow at one share for every $0.20 of after tax cash-flow earned by CD Visions. The First Preferred Shares issued will be non-voting and convertible to Common Shares upon their release from escrow. Until the First Preferred Shares are released from escrow they are not convertible to Common Shares without the written consent of The Alberta Stock Exchange. The First Preferred Shares do not trade on The Alberta Stock Exchange or any other exchange.

DESCRIPTION OF BUSINESS AND OPERATIONS

FOLLGARD CD VISIONS INC.

CD Visions was incorporated under the *Business Corporations Act* (Alberta) on April 15, 1994. CD Visions has its head office at 6110C - 1A Street S.W., Calgary, Alberta T2H 0G3, and its registered and records office at 800, 11012 McLeod Trail S. Calgary, Alberta T2J 6A5.

The company was initiated by its President, Mr. Gerry Wong, who owns 12.5% of the issued and outstanding common shares. The remaining shareholder group is comprised of Messrs. John Follgard (50%), Stan Grist (12.5%), Peter Friedrich (12.5%) and Michel Clairo (12.5%). Messrs. Wong and Follgard are Related Parties (as defined by Alberta Securities Commission Policy 4.11). See "Interest of Insiders in Material Transactions".

The Tamarack Group Ltd. has prepared a Business Plan for Follgard CD Visions as at February 1995. A complete copy of this Business Plan is available for review at 800, 11012 Macleod Trail S., Calgary, Alberta during regular business hours. The following is a selected abridgement of the Business Plan.

Management

Mr. Gerry Wong has been the President of CD Visions since its inception in April, 1994 and is responsible for the overall development and implementation of projects as well as the day to day operations of CD Visions. Mr. Wong is also a director or CD Visions and The Follgard Group Inc. See "Election of Directors" and "Interest of Insiders In Material Transactions".

Mr. Stan Grist is the Vice President of Research for CD Visions. Mr. Grist has led exploration teams into the Brazilian Amazon jungle for a Utah based gold mining company, has been employed as a paramedic and a private investigator. Mr. Grist will be actively involved in directing, producing and promoting the Adventure Quest Series. See "Operations".

Mr. Peter Friedrich is the Vice President of Marketing and Sales of CD Visions. He has been involved in high-tech sales in the medical field for over 30 years. Mr. Friedrich has also worked with laser disc technology and it was this experience that introduced him to CD-ROM technology. Mr. Friedrich will be responsible for researching and directing European marketing initiatives for the company's CD-ROM titles.

Mr. Michel Clairo is the Creative Director and Multimedia Designer for CD Visions. He has 15 years experience in graphic design and three years experience in multimedia CD-ROM design. After studying multimedia scripting language for two years, Mr. Clairo became an Apple Multimedia Developer beta testing Apple products as well as creating his own CD-ROM titles. Mr. Clairo has overall responsibility for the visual design and the subject matter of projects.

Mr. Dewi Wood is the Video and Audio Specialist for CD Visions. He has 10 years experience in video and audio production. He has worked in the composition, performance, recording, production, theatre and film and instruction fields. Mr. Wood has responsibility for the video production from concept to final edit and locating and selecting music and talent through to digitizing and editing recorded material into computer files.

Ms. Rosemary Kumlin is the Controller of CD Visions. She is a Certified Management Accountant and has ten years of accounting and financial experience. Ms. Kumlin will be responsible for all accounting and financial reporting functions of CD Visions. Ms. Kumlin is a director of The Follgard Group Inc. See "Election of Directors" and "Interest of Insiders In Material Transactions".

In addition to Mr. Wong, Messrs. John Follgard and A. Gordon Kluzak are also directors of CD Visions. They are also directors of The Follgard Group Inc. See "Election of Directors" and "Interest of Insiders In Material Transactions".

Operations

The company's mission is to produce, publish and distribute a variety of affordable, quality CD-ROM titles that capitalize on the multimedia capabilities of the CD-ROM format combining entertainment value with educational utility. The company intends to develop platform independent programs that can be used in a variety of operating platforms including; MacIntosh and PC Windows environments. All of its operations are conducted out of its 1,500 square foot head office facility.

The company develops and produces each CD-ROM title in-house with a team of individuals made up of a graphic artist, writer, content provider, multimedia programmer and an audio/video specialist. The company organizes its work flow using project time lines which identify each phase of a project and the particular person responsible for completing that phase. The staggering of project time lines permit the company to work on several new titles simultaneously.

The company has now introduced its first multimedia CD-ROM product to the market, *Lost Treasures of the World* ("Lost Treasures"). The Lost Treasures disk is the first of the company's "Adventure Quest Series" in the CD-ROM format. This title will be an on going series targeted to travellers, historians and mystery lovers. The Series has been developed around Stan Grist, a director of CD Visions, who narrates in multimedia form all of the adventures. Two additional CD-ROM titles are currently under development and it is anticipated these will be introduced to the market within the next four to six months.

CD Visions has plans to develop five CD-ROM titles in 1995 with a minimum of three more titles scheduled for early 1996. The time to complete a CD-ROM title is approximately three months. Future CD-ROM titles include: *The Interactive Herbal* (based on Herbologist Dr. Terry Willard); *Instructional Golf*; *Mel Fisher, New Emerald Discovery from Atocha*; *Adventure Quest 2, Lost Cities and Ancient Mysteries*; *Fair Play* (an educational title for preschool children); *Mel Fisher and Atlantis, 53,000 Lost Treasurers, Adventure Quest 3*. During the projection period ended January 31, 1996 CD Visions anticipates spending an additional $420,000 for staffing and capital equipment costs in order to produce the additional titles scheduled for 1995.

Market Analysis

The use of CD-ROM technology in a variety of applications is gaining rapid world wide acceptance. According to American market research firm, Inteco, on a world wide basis the percentage of personal computers with CD-ROM drives is projected to expand from 8% in

1993 to 28% in 1997. In United States alone, approximately 45% of personal computers are expected to have CD-ROM drives by 1997.[1]

The growth in commercial CD-ROM titles (those which are sold to the public) is anticipated to continue to be strong throughout the 1990s and is primarily driven by educational, reference, business, professional and entertainment applications. In house titles (those created for internal organizational use or to support another product or service) are expected to show growth particularly in the areas of reference and presentation.[2]

The trend in CD-ROM title publishing and distribution continues to exhibit strong growth characteristics. A 1993 study by a United States marketing agency predicted that revenues for consumer titles will grow 149% to $1.53 billion in 1994.[3]

The home market is the segment which is primarily driving the growth in CD-ROM sales for multimedia titles. In December, 1994, 13.2 million households in the United States had a CD-ROM PC which represented an increase of over 300% in one year.[4] Overall, industry studies indicate that the home market will have the most significant influence on CD-ROM sales which will in turn impact the sales of multimedia titles.[5] In 1993 revenues for "edutainment" titles were $615 million. This figure was projected to grow to $1.5 billion in 1994.[6]

Target Markets

CD Visions' market focus is to provide entertainment and educational CD-ROM titles to home computer users, libraries and educational institutions. The company believes that the home PC market offers the greatest potential as the majority of home computer users in Canada are represented by a consumer group having an above average level of disposable income. Educational institutions in both Canada and the United States will also provide a market for CD-ROM titles as curriculum coordinators become more aware of the usefulness and instructional power of CD-ROM technology. Finally, CD Visions anticipates that public libraries will increase their usage of CD-ROM technology, stocking titles and equipping their reference computers with CD-ROM drives.

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[1] Trends in CD-ROM and Multimedia Delivery, April 1994, Page 13

[2] Optical Publishing Industry Assessment, Sixth Edition 1993, Infotech, March 1994

[3] CD ROM Factbook, Digital Information Group, November 1993, pp. 24-25

[4] Fairfield Research Inc., Home PC Trak, 4th Quarter 1994

[5] Trends in CD ROM and Multimedia Delivery, Sponsored by Apple Computers, Inc., p.25

[6] Digital Information Group, 1993

Marketing and Sales

CD Visions has chosen to market their CD-ROM titles using a bottom up integrated approach. This is a process whereby new CD-ROM titles are first made available to distributors who are closest to the end users of these products. This will include retailers such as local computer stores, bookstores, videostores and mass merchants. The company will also gain its product acceptance through direct sales such as computer magazines, mail flyers, industry related magazines and mail order catalogues.

After achieving product acceptance at the local level, the company will then approach secondary distributors such as ABCO, American Software and Hardware, Educorp. and JOSHA. The final step will include distribution through distributors such as Ingram Micro, Merisel and Compton's New Media.

Distribution

Distribution of the CD-ROM titles will initially take place through two channels. The company will temporarily be responsible for distributing titles from its own warehouse. The company's manufacturer will drop-ship to CD Visions during the interval before a primary or secondary distributor has been secured. The company's manufacturer, Quebecor Printing ("Quebecor"), acts as a distributor from its own facility. CD Visions will utilize the Internet to place orders and delivery instructions directly to the Quebecor facilities where all shipping, handling and credit payments will be arranged. The company anticipates that it will secure a primary or secondary distributor within the next six to nine months.

Competitive Strengths

CD Visions has put together a team of multi media product developers with strong technical and creative backgrounds and utilizes state of the art computer hardware and software in the development of each CD-ROM.

All CD-ROM titles produced by CD Visions are dual platform compatible allowing users to play their CD-ROM discs on either MacIntosh or PC operating systems. Furthermore, the company has developed a user friendly inter-face that allows CD-ROM users to easily load and operate each CD-ROM title.

CD Visions has on staff, Stan Grist, a well known explorer and adventurer who will lead and narrate the Adventure Quest Series. This in-house content provider will allow the company to rapidly expand and develop previously unexplored topics related to the Adventure Quest Series.

CD Visions has invested a significant amount in non recurring product development costs and spent six months developing the technology that it can now utilize in future title releases. New competitors would be expected to invest an equal amount of time and money prior to releasing CD-ROM titles.

Risk Factors

The development of CD-ROM titles is increasingly being pursued by large well established North American software companies which will likely result in declining product margins.

CD Visions is dependent on a small number of key technical and creative persons. Further, the company relies on one person as the sole content provider for the Adventure Quest Series and that person is responsible for content of future releases in this series.

The company has been operating for a period of nine months primarily encompassing product development. The future success of the company will depend on the ability of CD Visions to market its new products and access marketing distribution channels.

The company is not well known in the software development industry. Until the company has proven product acceptance with end users, the ability to access primary distributors of CD-ROM titles will initially be difficult.

The company is subject to foreign exchange risk as its products will be made available in American and European markets. Furthermore, the Company's CD-ROM disks are manufactured in the United States resulting in fluctuating unit costs.

CD Visions is a multimedia publishing company and is distinguished from traditional CD-ROM publishing company in that multimedia is more labour intensive and requires two to five times the number of contributors and technical support than code-level development. Consequently, the number of contributors who need support tools and information for a single project is substantially greater, requiring more than one point of contact with relevant developer enterprises. Furthermore, Multimedia developers will produce several different titles encompassing various themes that target a number of different market users, while code-level developers often target single user groups. This requires larger financial and technical resources. Finally, because multimedia products are brought to the market more rapidly, multimedia developers require timely support systems and performance tools. There is a substantial opportunity cost associated with delays.

Financial Plans

Follgard CD Visions Inc.
Projected Sources and Uses of Funds
For the year ending January 31

SOURCES	1996	1997	1998
Cash flow from operation	1,226,553	2,044,904	3,404,496
Advances from affiliated companies	273,000	0	0
	1,499,553	2,044,904	3,404,496
USES			
Repayment of note payable	100,000	0	0
Repayment of advances to affiliated companies	603,000	0	0
Repayment of advances from shareholder	41,950	0	0
CD development costs	300,000	500,000	800,000
Purchaser of capital assets	120,000	250,000	500,000
	1,164,950	750,000	1,300,000
NET INCREASE (DECREASE) IN CASH	334,603	1,294,904	2,104,496

Value

No formal valuation was performed on CD Visions for the purpose of the Corporation's proposed Major Transaction. The value was arrived at by management, in part, by their assessment of the development costs to start up the company and the future earning potential of the company. Management's assessment of the development costs is based on the unaudited financial statements for the stub period ended January 31, 1995 as prepared by Ladell Perry, Chartered Accountants. Management's assessment of the future earning potential is based in part on the business plan of the company as prepared by The Tamarack Group Ltd.

Financial Statements

Copies of the audited financial statements and auditors' report for the period ended September 30, 1994, the unaudited financial statements and review engagement report for the stub period ended January 31, 1995 and the unaudited projected financial statements for the periods January 31, 1996 through January 31, 1998 and review engagement report for CD Visions are attached as **Schedules "C", "D" and "E"** respectively, and are incorporated by reference and form part of this Information Circular.

<u>D.G.S. COMPUTERS INC.</u>

D.G.S. Computers Inc. ("D.G.S.") was incorporated under the *Business Corporations Act* (Alberta) in March 4, 1988. D.G.S. has its head office at 6120 - 1A Street S.W., Calgary, Alberta, and its registered and records office at 800, 11012 Macleod Trail S., Calgary, Alberta.

The company was co-founded by Mr. Steven Deyholos, who is a director and owns 20% of the company. Mr. Deyholos was later joined by Mr. Jason Deyholos, who is the President and director and owns 20% of the company, and Mr. Troy Wood, who is a director and owns 20% of the company. The remaining shareholders are Messrs. John Follgard and A. Gordon Kluzak, who are both directors and each own 20% of the company. Messrs. Jason Deyholos, Kluzak and Follgard are Related Parties (as defined by Alberta Securities Commission Policy 4.11). See "Interest of Insiders in Material Transactions".

The Tamarack Group Ltd. has prepared a Business Plan for D.G.S. as at February 1995. A complete copy of this Business Plan is available for review at 800, 11012 Macleod Trail S., Calgary, Alberta during regular business hours. The following is a selected abridgement of the Business Plan.

<u>Management</u>

Mr. Jason Deyholos has been the President of D.G.S. since 1990. Mr. Deyholos has nine years of experience in computer sales and software development. As President, he is responsible for the day to day operations of the Company with a specific focus on marketing, cashflow management, staffing, product line decisions and distributor relations. Mr. Deyholos is also a director of D.G.S. and The Follgard Group. See "Election of Directors" and "Interest of Insiders In Material Transactions".

Mr. Steven Deyholos has been the Vice President of Software Development since 1990. He is responsible for managing the Programming Staff and overseeing the computer software development projects. Mr. Deyholos is also a director of D.G.S.

Mr. Troy Wood is the Vice President of Product Development. He is responsible for managing the customer service and warranty service area.

Ms. Rosemary Kumlin is the Controller of D.G.S. She is a Certified Management Accountant and has ten years of accounting and financial experience. Ms. Kumlin will be responsible for all accounting and financial reporting functions of D.G.S. Ms. Kumlin is a director of The Follgard Group Inc. See "Election of Directors" and "Interest of Insiders In Material Transactions".

In addition to Messrs. Deyholos and Wood, Mr. John Follgard and Dr. A. Gordon Kluzak are also directors of D.G.S. Jason Deyholos, John Follgard and A. Gordon Kluzak are also directors of The Follgard Group Inc. See "Election of Directors" and "Interest of Insiders In Material Transactions".

Operations

Since its inception, the company has developed and provided Point-of-Sale ("POS") software to large retail consumer electronic chains. In 1991, it began retail sales of computer hardware and software. D.G.S. also set up a repair and warranty service centre as a component of its retail sales operation. In 1994, the company began offering computer training and education to its product and service line. All of its operations are conducted out of its 7,200 square foot head office facility.

The company's retail and commercial sales operations are open form 8:00 am to 6:00 pm Monday to Wednesday, 8:00 am to 9:00 pm Thursday and Friday and 10:00 am to 5:00 pm on Saturday. D.G.S. also supports its custom software and POS software services via modem and hard media such as floppy disks so that clients can receive updates and system enhancements with out physical attendance.

D.G.S. carries a broad range of computer hardware and software products which are secured from a variety of suppliers. This intensive supplier network avoids the reliance on any one organization.

The company employs an internal sales force in its retail and corporate area recognizing that each target market has separate needs and requirements. The sales team has adopted a consultative rather than hard sell approach to selling computer products and technology. D.G.S. also offers a business hours help desk support line to its customers.

Products and Services

D.G.S. has divided its operation into three functional areas. Each is described below.

Computer Software Development and Sales

The company's POS software is marketed as *D.G.S. Pinnacle Advanced POS Software* ("Pinnacle"). Pinnacle is a fully computerized retail system which integrates sales, purchasing, accounting, inventory control and customer mailing lists. The package has been designed as a turnkey system which is operational upon installation. Pinnacle was designed for multiple users and can be configured to accommodate hundreds of separate work stations. Pinnacle is modular by design so that retailers who may not need the entire system can add modules as required. The company has recently acquired the development language, U-Basic, used

to write the Pinnacle system, from the American owner of the technology. This acquisition has allowed the company to further protect the Pinnacle system.

The Pinnacle system updates a number of records each time a transaction is entered. When a sale is keyed in at the retail sales counter, the system produces a customer invoice, updates inventory records, calculates sales commissions and updates accounts receivable and sales analysis records. Periodically, the system transfers relevant data to the general ledger to update the retailer accounting records.

The Pinnacle system operates on two different levels; level one for sales staff and level two for administration and management. Level one allows sales staff to enquire into inventory records, customer files, sales figures, key sales and receive cash payment on accounts. Level two allows management to enquire into customer information, alter inventory master records and access invoice and hourly sales parameter programs.

D.G.S. has been placing Pinnacle in electronic retail stores since 1988. Significant clients who use the Pinnacle system include 18 outlets in the Visions Electronics chain, 40 outlets in the Warehouse Direct chain, 30 outlets in the Future Shop chain and 82 outlets with Sony Canada. Other non-electronic consumer clients include a hot food manufacturer, a beef marketing company and other small installations. The company is currently negotiating with a number of large retail operations including a gaming franchise with 50 outlets and a furniture distributor with locations across the country.

In addition to Pinnacle, D.G.S. has completed a number of other custom software development projects. They have been involved in database development using the FoxPro database package, providing management programs for a multi-level marketing company, and a matching services program to a property marketing company. Another product they have developed is a hand held barcode reader application for a regional grocery chain. They have also developed a computer based solution for the management of real estate legal transactions.

The company anticipates spending approximately $200,000 over the next 12 months to develop a new version of Pinnacle which will be operated within the Windows environment.

<u>Computer Product Sales</u>

D.G.S. sells commercial computer hardware and software products through two distinct distribution channels. The company solicits business, education and other nonretail clients in addition to sales from its retail location.

Initially the company sold primarily IBM compatible products, but have now added Apple Computers to their product line. Although the company provides a wide product line of computer hardware and software products, the primary focus is on computer hardware sales. D.G.S. is a full service retailer that provides training programs, an in-house service department and a team of computer programmers. The company is authorized to repair most of the products they sell.

Computer Training

D.G.S. has established a fully equipped training center with a capacity for ten students per session. The center contains ten PC training stations, five Power MacIntosh training stations and an instructional network with a large screen presentation system. They provide training through contracts with eight to ten independent technical instructors offering a range of computer courses for both PC and MacIntosh users.

Market Analysis and Marketing

The Television Bureau of Canada ("TBC") reported, according to Evans Research Corp. (Toronto) sales of personal computers to the home and home office market segments increased by 23% in 1993. TBC hypothesizes that the trends of low prices, ease of use and technical support are positively influencing consumers. The widespread usage of PCs in the workplace has introduced many Canadians to computers and TBC estimates that by the year 2000, 55% of Canadian homes will own a personal computer.[7]

Mass merchants accounted for 9% of desktop computer sales in 1994 and are predicted to increase to a 16% market share in 1995.[8] The structure of traditional computer retailing is changing quickly in Canada with the emergence of mass merchants, which include superstores, department stores, big retailers and office equipment warehouses. According to Canadian Computer Preference Study, the mass merchant channel has not nearly reached its peak.[9]

D.G.S.'s primary target for computer products include the home market, Calgary based businesses and educational institutions but must compete with the mass merchants for market share. In response, D.G.S. has adopted a competitive pricing structure whereby they attempt to generate a minimum of 13% gross margins on computer hardware and 15% on software. To maintain the pricing structure, D.G.S. attempts to carry different brand names from the large competitors so it does not have to go head to head on pricing. The company

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[7] The Television Bureau of Canada; Resources; file #12 Infopak Winter 1994; Page 1

[8] Canadian Computer Reseller; Battling Goliath; December 21, 1994; Page 37

[9] Canadian Computer Reseller; Canadian Corporate Reference Study

also employs knowledgable staff, provides in-house repair and warranty services and offers training programs. Management has adopted this full service approach to effectively compete in the marketplace.

Under the overall direction of Jason Deyholos, D.G.S. divides its marketing activities along retail and commercial lines. The company uses a number of communication and marketing strategies, which include; open houses, newspaper and radio advertizing, direct sales, direct mail, seminars, walk-in traffic, word of mouth and specific identification of companies whose structure lends itself to the Pinnacle system.

Competitive Strengths

D.G.S. has assembled a management team with a range of complimentary skills covering all aspects of their operation. The street location of D.G.S. is easily accessed by car and Light Rail Transit and should generate a significant amount of market exposure and walk in traffic flow.

D.G.S. has been in business since 1988 and this history provides them with a name and brand recognition and the marketing benefits of a large installation base. Furthermore, the company has developed a reputation within the consumer retail electronics industry for quality a POS software product and are in a position to capitalize on this reputation.

D.G.S. has adopted a full service approach to computer product and service retailing. They have attempted to position themselves as a one-stop source of computer solutions, from product to training to repair and warranty services and customer programming. They also employ consultants to provide specialized training programs and offer a help desk to key commercial clients.

D.G.S. is a relatively small operation and management asserts that they can adapt quickly to changing market conditions. As a result of having developed the POS software and now also owning the "U-BASIC" development software, they can alter and adapt the software to meet specific client applications.

Risk Factors

As discussed above, D.G.S. must compete with large mass merchants who are well financed and better equipped to withstand cyclical market fluctuations.

D.G.S. is dependent upon a small number of key management personnel and the company's future will depend, in part, upon their skills and abilities. The loss of the services of any of these key personnel could adversely affect the company.

The company has had a history of operating losses and marginal profitability. The future success of the company will depend on its ability to further develop its operations.

The custom software products developed by D.G.S. have been primarily targeted to retail consumer electronic chains. To effectively compete in this industry, the company is attempting to adapt the software to other retail applications. While they have had some moderate success and they have generated some interest, their future success may be partially dependent on their ability to enter other market areas.

D.G.S. has been named as a defendant in a lawsuit. The claim alleges that the company owes management fees to its previous controlling shareholder. The company has filed a defence and counterclaim in response to the lawsuit. Management is of the opinion that the claims are without merit and intend to fully defend the action. Should the company not be successful in defending the action, the damages would have a significant impact on the capital position of D.G.S.

Indication of Value

In addition to preparing the Business Plan for D.G.S., The Tamarack Group Ltd., at the request of The Follgard Group Inc., has also provided an indication of the fair market value of D.G.S. This should not be construed as a formal valuation opinion, and it must be clearly understood that the Indication of Value does not constitute The Tamarack Group Ltd.'s opinion with respect to the fair market value of the common shares of D.G.S. In order to render an opinion on value, additional procedures would need to have been performed.

In reaching an estimate of value of D.G.S., The Tamarack Group Ltd. performed the following; reviewed the unaudited financial statements of D.G.S. for the years ended June 30, 1993 and 1994, the audited financial statements for the three month period ended September 30, 1994 and the unaudited internal financial statements for the four month period ended January 31, 1995; reviewed the unaudited projected financial statements of D.G.S. for a three year period ended January 31, 1998; reviewed industry information as provided by management of D.G.S.; reviewed D.G.S' business plan as prepared by management and The Tamarack Group Ltd.; toured the premises of D.G.S. and obtained a letter of representation from Mr. Jason Deyholos, President, confirming certain representations including the general representation that he had no knowledge of any facts or material information not noted in The Tamarack Group Ltd.'s Indication of Value memorandum. However, it should be clearly understood that while The Tamarack Group Ltd. relied on the this information in arriving at an estimate of value, they did not audit this information and do not express an opinion on the accuracy and reliability of the information provided.

For the purposes of the Indication of Value, fair market value is defined as "the highest price available in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of money". The estimate of fair market value provided for these shares will be for the "en bloc" value of D.G.S. viewed as a whole.

In arriving at an estimated range of values for the common shares of D.G.S., The Tamarack Group Ltd. has reviewed and relied on certain projected financial statements as prepared by the management of D.G.S. The ability of D.G.S. to generate the earnings contemplated in these financial projections is dependant upon managements' assumptions and on the ability of the company to successfully reach the level of activity indicated therein.

The Indication of Value was based on a going concern approach as opposed to an asset based approach. This method was chosen as the company does have a history of operations in this industry, a market for these products and services does exist, and the company has several significant clients. This supports the view that the company is a going concern.

In arriving at the estimated values for D.G.S., The Tamarack Group Ltd. used the capitalization of maintainable after tax earnings approach. In completing the calculations they reviewed the historical and projected earnings from operations from 1993 to 1998. Adjustments were made to normalize the earnings for each period. Factors such as the company's developmental stage, projected earnings growth rate, future earnings capacity and professional judgment were considered in estimating the maintainable after tax earnings.

There were no redundant assets added to the capitalization earnings amount. Redundant assets are sometimes defined as assets not necessary to the ongoing operations of a business entity.

To provide an indication of fair market value, the selection of an appropriate capitalization rate was limited to a general review of the historic and financial projected statements, and overview of the development of this company and a review of the industry in which it operates.

The estimated maintainable after tax earnings as at January 31, 1995 are approximately $115,000 which, when capitalized at multiples of 2.86 to 4.00 times suggest a range of approximate value of between $330,000 and $460,000. When a tax shield on carryforward losses of $68,000 is added to these ranges, a value of approximately $465,000 is determined. This represents an estimate of the en bloc value at January 31, 1995 of 100% of the issued and outstanding shares of D.G.S. Computers Inc. Based on capitalized maintainable earnings as at January 31, 1995 the range in value for D.G.S. is from $369,412 to $527,840. The highest corporate tax rate in valuing D.G.S. was used. This was done in contemplation of D.G.S. becoming a wholly owned subsidiary of a publicly listed corporation.

Tangible asset backing has been calculated at approximately $445,000. The majority of this value can be attributed to the out-of-pocket costs incurred to January 31, 1995 to develop the point of sale software. These costs have been estimated by management to be $390,000. This suggests that the estimates of value calculated above are reasonable. As the company has already sold several versions of the software, a premium over tangible asset backing is reasonable.

The valuation estimate does not consider the contingent liability that may result from the current litigation. The outcome at the valuation date could not be determined and, therefore, was not factored into the valuation estimate. Any liability arising from this litigation would have a direct impact on the tangible asset backing and the estimate of value.

D.G.S. Computers Inc.
Projected Sources and Uses of Funds
For the Year Ending January 31

SOURCES	1996	1997	1998
Cash flow from operation	204,425	134,032	320,250
USES			
Repayment of note payable Software development costs Purchaser of capital assets	45,000 126,000 10,000	45,000 140,000 20,000	45,000 190,000 50,000
	181,000	205,000	285,000
NET INCREASE (DECREASE) IN CASH	23,425	(70,968)	35,250

Financial Statements

Copies of the audited financial statements and auditors' report for the period ended September 30, 1994, the unaudited financial statements and review engagement report for the period ended January 31, 1995 and the unaudited projected financial statements for the periods January 31, 1996 through January 31, 1998 and review engagement report for D.G.S. are attached as **Schedules "E", "F" and "G"** respectively, and are incorporated by reference and form part of this Information Circular.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Mr. John Follgard, the Chairman and director of the Corporation, is the Chairman of Follgard CD Visions Inc. and owns a 50% interest in this company. Mr. Follgard is also an officer and director of DGS Computers Inc. and owns a 20% interest in this company.

Dr. A. Gordon Kluzak, the President and director of the Corporation, is an officer and Director of Follgard CD Visions Inc. but has no shareholdings in this company. Dr. Kluzak is also an officer and director of DGS Computers Inc. and owns a 20% interest in this company.

Mr. Jason Deyholos, a director of the Corporation, is also the President and a director of DGS Computers Inc. and owns a 20% interest in this company.

Mr. Gerry Wong, a director of the Corporation, is also President and a director of Follgard CD Visions Inc. and owns a 12.5% interest in this company.

ALBERTA SECURITIES COMMISSION POLICY 4.11

Pursuant to Policy 4.11 of the Alberta Securities Commission (the "Policy"), certain transactions of the Corporation may be designated as constituting Major Transactions. It is the intent of the Corporation that the transaction described in this Information Circular shall be the Major Transaction of the Corporation. Shareholders shall be provided the right to approve the Major Transaction on the basis of the application of the "majority of the minority" test, and the proposed resolution respecting the Major Transaction must be passed by a least 50 percent-plus-one vote of the votes cast by shareholders who vote at the Meeting, other than related parties to the Corporation and related parties to the other parties to the Major Transaction. Related parties include promoters, officers, directors, other insiders and associates or affiliates of these persons or companies.

PROPOSED RESOLUTION

The shareholders will be asked to consider and, if thought fit, approve the following resolution:

IT IS RESOLVED THAT:

The acquisition of all issued and outstanding shares of Follgard CD Visions Inc. ("CD Visions") in exchange for the issuance of up to 2,435,000 Common Shares of the Corporation and 2,565,000 First Preferred Shares of the

Corporation, pursuant to the terms and conditions of a Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Stan Grist, Peter Friedrich, Gerry Wong, Michel Clairo; and the acquisition of all issued and outstanding shares of D.G.S. Computers Inc. ("D.G.S.") in exchange for the issuance of up to 2,700,000 Common Shares of the Corporation, pursuant to the terms and conditions of a Share Purchase Agreement dated February 28, 1995 among the Corporation, John Follgard, Jason Deyholos, Steven Deyholos, Troy Wood, A. Gordon Kluzak and D.G.S., are together approved as the Corporation's Major Transaction (as such term is defined in Alberta Securities Commission Policy 4.11); and, subject to any necessary regulatory approval, the Corporation set aside and reserve for issuance a maximum of 5,135,000 Common Shares and 2,565,000 First Preferred Shares to be issued to all of the shareholders of CD Visions and D.G.S. as consideration for all of the issued and outstanding shares of CD Visions and D.G.S.

OTHER BUSINESS

Management is not aware of any other matters to come before the Meeting other than those set out in the Notice of Meeting. If other matters come before the Meeting it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

CERTIFICATE OF CONSENT FOR FOLLGARD CD VISIONS INC.

The content of this Information Circular and Proxy Statement, and the sending thereof, have been read and approved by the Board of Directors of Follgard CD Visions Inc. To the best of our knowledge and belief the disclosure in this Information Circular regarding Follgard CD Visions Inc. contains no misrepresentations.

DATED: March 31, 1995

signed "Stan Grist"
Stan Grist
Director

signed "Peter Friedrich"
Peter Friedrich
Director

CERTIFICATE OF CONSENT FOR D.G.S COMPUTERS INC.

The content of this Information Circular and Proxy Statement, and the sending thereof, have been read and approved by the Board of Directors of D.G.S. Computers Inc. To the best of our knowledge and belief the disclosure in this Information Circular regarding D.G.S. Computers Inc. contains no misrepresentations.

DATED: March 31, 1995

signed "Steven Deyholos" Steven Deyholos Director	signed "Troy Wood" Troy Wood Director

APPROVAL AND CERTIFICATION

The contents of this Information Circular, Proxy Statement, and the sending thereof have been approved by the board of directors of the Corporation.

This Information Circular constitutes full, true, and plain disclosure of all material facts relevant to the particular matters to be voted on by the shareholders.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made.

DATED: March 31, 1995

signed "John Follgard" John Follgard Chairman and Chief Executive Officer	signed "Rosemary Kumlin" Rosemary Kumlin Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

signed "A. Gordon Kluzak" A. Gordon Kluzak Director	signed "Jason Deyholos" Jason Deyholos Director

SCHEDULE "A"

THE FOLLGARD GROUP INC.

STOCK OPTION PLAN (the "Plan")

1. Purpose of the Plan

The purpose of the Plan is to assist THE FOLLGARD GROUP INC. (the "Corporation") in attracting, retaining and motivating directors, key officers, employees and consultants of the Corporation and of its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders by providing them with the opportunity, through options, to acquire Common Shares in the capital of the Corporation.

2. Implementation

The grant and exercise of any options under the Plan are subject to compliance with the applicable requirements of each stock exchange on which the shares of the Corporation are or become listed and of any governmental authority or regulatory body to which the Corporation is subject.

3. Administration

The Plan shall be administered by the board of directors of the Corporation which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan. The board of directors may delegate any or all of its authority with respect to the administration of the Plan and any or all of the rights,

powers and discretions with respect to the Plan granted to it under this Plan to the Executive Committee or such other committee of directors of the Corporation as the board of directors may designate. Upon any such delegation the Executive Committee or other committee of directors, as the case may be, as well as the board of directors, shall be entitled to exercise any or all of such authority, rights, powers and discretions with respect to the Plan. When used in the context of this Plan "board of directors" shall be deemed to include the Executive Committee or other committee of directors acting on behalf of the board of directors.

4. Number of Shares Under Plan

A maximum number of Common Shares equal to ten percent (10%) of the issued and outstanding Common Shares of the Corporation, from time to time, (the "Optioned Shares") shall be reserved, set aside and made available for issue under and in accordance with the Plan provided that in no event shall options be granted entitling any single individual to purchase in excess of five percent (5%) of the then outstanding shares in the Corporation. If option rights granted to an individual under the Plan shall expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan.

5. Eligibility

Options may be granted under the Plan to any person who is a full-time or part-time director, key officer, full-time or part-time employee or full-time or part-time consultant of the Corporation, or of its subsidiaries, as the board of directors may from time to time designate as a participant (a "Participant") under the Plan. The majority of the persons eligible for participation in the Plan may be directors or officers of the Corporation. Subject to the provisions of this Plan, the total number of Optioned Shares to be made available

under the Plan and to each Participant, the time or times and price or prices at which options shall be granted, the time or times at which such options are exercisable, and any conditions or restrictions on the exercise of options, shall be in the full and final discretion of the board of directors.

6. Terms and Conditions

(a) **Exercise Price**

The exercise price to each Participant for each Optioned Share shall be as determined by the board of directors, but shall in no event be less than the market price of the Common Shares of the Corporation on the Alberta Stock Exchange or such other more senior exchange on which the Common Shares are listed at the time of the grant of the option less the maximum discount permitted under the regulations of The Alberta Stock Exchange or such other more senior exchange on which the Common Shares are listed or such other price as may be agreed to by the Corporation and approved by The Alberta Stock Exchange or such other more senior exchange on which the Common Shares are listed.

(b) **Option Agreement**

All options shall be granted under the Plan by means of an agreement between the Corporation and each Participant (the "Option Agreement") in the form as may be approved by the board of directors, such approval to be conclusively evidenced by the execution of the Option Agreement by any two (2) directors or officers of the Corporation.

(c) **Length of Grant**

All options granted under the Plan shall expire not later than the fifth anniversary of the date such Options were granted.

(d) **Non-Assignability of Options**

An option granted under the Plan shall not be transferable or assignable (whether absolutely or by way of mortgage, pledge or other charge) by a Participant other than by will or other testamentary instrument or the laws of succession and may be exercisable during the lifetime of the Participant and only by the Participant.

(e) **Right to Postpone Exercise**

Each Participant, upon becoming entitled to exercise the option in respect of any Optioned Shares in accordance with the Option Agreement, shall be entitled to exercise the option to purchase such Optioned Shares at any time prior to the expiration or other termination of the Option Agreement.

(f) **Exercise and Payment**

Any option granted under the Plan may be exercised by a Participant or the legal representative of a Participant giving notice to the Corporation specifying the number of shares in respect of which such option is being exercised, accompanied by payment (by cash or certified cheque payable to the Corporation) of the entire exercise price (determined in accordance with the Option Agreement) for the number of shares specified in the notice. Upon any such exercise of an option by a Participant the Corporation shall cause the transfer agent and registrar of the Common Shares of the Corporation to promptly deliver

to such Participant or the legal representative of such Participant, as the case may be, a share certificate in the name of such Participant or the legal representative of such Participant, as the case may be, representing the number of shares specified in the notice.

(g) Rights of Participants

The Participants shall have no rights as shareholders in respect of any of the Optioned Shares (including, without limitation, any right to receive dividends or other distributions, voting rights, warrants or rights under any rights offering) other than Optioned Shares in respect of which Participants have exercised their option to purchase and which have been issued by the Corporation.

(h) Third Party Offer

If, at any time when an option granted under the Plan remains unexercised with respect to any Optioned Shares, an Offer to purchase all of the Common Shares of the Corporation is made by a third party, the Corporation shall use its best efforts to bring such offer to the attention of the Participants as soon as practicable and the Corporation may, at its option, require the acceleration of the time for the exercise of the option rights granted under the Plan and of the time for the fulfillment of any conditions or restrictions on such exercise.

(i) **Alterations in Shares**

In the event of a share dividend, share split, issuance of shares or instruments convertible into Common Shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of shares, recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like of or by the Corporation, the board of directors may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. In any such event, the maximum number of shares available under the Plan may be appropriately adjusted by the board of directors. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares in the Corporation of those in another company is imminent, the board of directors may, in a fair and equitable manner, determine the manner in which all unexercised option rights granted under the Plan shall be treated including, for example, requiring the acceleration of the time for the exercise of such rights by the Participants and of the time for the fulfillment of any conditions or restrictions on such exercise. All determinations of the board of directors under this paragraph 6(i) shall be full and final.

(j) **Termination**

Subject to paragraph 6(k), if a Participant is dismissed as an officer, employee or consultant by the Corporation or by one of its subsidiaries for cause, all unexercised option rights of that Participant under the Plan shall immediately terminate, notwithstanding the original term of the option granted to such Participant under the Plan.

(k) Disability or Retirement

Notwithstanding paragraph 6(j), if a Participant ceases to be an officer, employee or consultant of the Corporation or of one of its subsidiaries as a result of:

(a) disability or illness preventing the Participant from performing the duties routinely performed by such Participant;

(b) retirement at the normal retirement age prescribed by the Corporation pension plan;

(c) resignation; or

(d) such other circumstances as may be approved by the board of directors;

such Participant shall have the right for a period of 90 days from the date of ceasing to be an officer, employee, consultant or director (or, if earlier, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the option under the Plan with respect to all Optioned Shares of such Participant to the extent they were exercisable on the date of ceasing to be an officer, employee, consultant or director. Upon the expiration of such 90 days period (or such earlier expiry date as provided for in the Option Agreement) all unexercised option rights of that Participant shall immediately terminate and shall lapse notwithstanding the original term of the option granted to such Participant under the Plan.

(l) Deceased Participant

In the event of the death of any Participant, the legal representatives of the deceased Participant shall have the right for a period of 180 days from the date of death of the deceased Participant (or such shorter period being, until the expiry date of the option rights of the Participant pursuant to the terms of the Option Agreement) to exercise the deceased Participant's option with respect to all of the Optioned Shares of the deceased Participant to the extent they were exercisable on the date of death. Upon the expiration of such period all unexercised option rights of the deceased Participant shall immediately terminate, notwithstanding the original term of the option granted to the deceased Participant under the Plan.

7. Amendment and Discontinuance of Plan

The board of directors may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to a Participant under the Plan without the consent of that Participant.

8. No Further Rights

Nothing contained in the Plan nor in any option granted under this Plan shall give any participant or any other person, any interest or title in or to any Common Shares of the Corporation or any rights as a shareholder of the Corporation or any other legal or equitable right against the Corporation other than as set out in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as an employee, officer, consultant or director of the Corporation or of its subsidiaries.

9. Compliance with Laws

The obligations of the Corporation to sell Common Shares and deliver share certificates under the Plan are subject to such compliance by the Corporation and the Participants as the Corporation deems necessary or advisable with all applicable corporate and securities laws, rules and regulations.

10. Gender

The use of the masculine gender in this Plan shall be deemed to include or be replaced by the feminine gender where appropriate to the particular Participant.

SCHEDULE "B"

THE FOLLGARD GROUP INC.

UNAUDITED BALANCE SHEET

December 31, 1994

ASSETS

CURRENT ASSETS	
Cash and Investments	$275,458
Accounts Receivable	$ 1,977
TOTAL CURRENT ASSETS	$277,435
FIXED ASSETS	$ 83,779
TOTAL ASSETS	**$361,214**

LIABILITIES

Accounts Payable	$ 66,583
Loans Payable	$220,000
TOTAL LIABILITIES	$286,583

EQUITY

SHARE CAPITAL	
Common Shares	$150,000
TOTAL SHARE CAPITAL	$150,000
RETAINED EARNINGS	
Current Earnings	($75,369)
TOTAL RETAINED EARNINGS	($75,369)
TOTAL EQUITY	$ 74,631
TOTAL LIBILITIES AND EQUITY	**$361,214**

THE FOLLGARD GROUP INC.

UNAUDITED INCOME STATEMENT

for the Three Months Ended December 31, 1994

REVENUE	
Miscellaneous Revenue	$ 1,600
EXPENSES	
General & Administrative	$ 11,010
Professiomnal & Legal	$ 27,220
Compensation	$ 38,739
TOTAL EXPENSES	$ 76,369
NET INCOME	**($75,369)**

STATEMENT OF CHANGES

for the Three Months Ended December 31, 1994

CASH PROVIDED BY (USED FOR):	
Operations	($ 75,369)
Financing Activities Borrowing	$220,000
Fixed Assets	($ 83,779)
Change in non-cash accounts	$ 64,606
Cash beginning of period	$150,000
ENDING CASH & INVESTMENTS	**$275,458**

SCHEDULE "C"

FOLLGARD CD. VISIONS INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

LADELL PERRY

Chartered Accountants
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Jerry P. Van Someren

Associates
Brent McDougall
Gregory M. Hemstad
Robert A. Fischer

AUDITORS' REPORT

To the Shareholders of Follgard CD. Visions Inc.

We have audited the balance sheet of Follgard CD. Visions Inc. as at September 30, 1994 and the statement of loss and deficit for the six months then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1994 and the results of its operations for the six months then ended in accordance with generally accepted accounting principles.

Ladell Perry

Red Deer, Alberta
December 12, 1994

CHARTERED ACCOUNTANTS

FOLLGARD CD. VISIONS INC.

BALANCE SHEET

SEPTEMBER 30, 1994

Assets

Current	
Cash	$ 1,906
Accounts receivable - trade	10,558
Prepaid expenses	11,222
	23,686
Equipment (Note 2)	76,660
Start-up costs (Note 3)	130,718
	$ 231,064

Liabilities

Current	
Accounts payable and accruals	$ 51,086
Note payable (Note 4)	25,000
	76,086
Due to affiliated companies (Note 5)	149,350
Due to shareholder (Note 6)	19,950
	245,386

Equity

Share capital (Note 7)	100
Deficit	(14,422)
	(14,322)
	$ 231,064

Approved by the Board

_______________ Director

FOLLGARD CD. VISIONS INC.

STATEMENT OF LOSS AND DEFICIT

SIX MONTHS ENDED SEPTEMBER 30, 1994

Revenue	$ ____
Expenses	
Reception and office services	9,682
Accounting	3,240
Professional fees	1,500
	14,422
Net loss and deficit	$ 14,422

FOLLGARD CD. VISIONS INC.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

1. Accounting Policies

Follgard CD. Visions Inc. is a privately-owned company which is engaged in the CD ROM development and sales business and is incorporated under Alberta's Business Corporations Act. These financial statements have been prepared in accordance with principles generally accepted in Canada including the historical cost basis. Significant accounting policies are as follows:

(a) Equipment

Furniture and fixtures are reported at cost less amortization calculated in accordance with the declining balance method.

Computer hardware is reported at cost less amortization calculated in accordance with the straight line method.

(b) Start-up Costs

The company capitalizes the costs associated with the start-up of new product lines. These costs are amortized in accordance with the straight line method over two years once the product is marketed.

(c) Income Taxes

The company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

2. Equipment

	Rate	Cost	Accumulated Amortization	Net
Computer hardware	3 yrs.	$ 81,428	13,571	67,857
Furniture and fixtures	20%	9,782	979	8,803
		$ 91,210	14,550	76,660

3. Start-up Costs

Original cost	$ 130,718

4. Note Payable

The note payable is non-interest bearing, with no specific terms of repayment and due on demand.

5. Due to Affiliated Companies

The amount due to affiliated companies are advances from companies controlled by John Follgard, the controlling shareholder. These amounts are non-interest bearing and due on demand, due as follows:

Investco Holdings Inc.	$ 136,984
Follgard Inc.	8,785
The Quality Group Inc.	1,802
Maximum Endeavours Inc.	1,779
	$ 149,350

6. Due to Shareholder

The balance due to shareholder represents advances which do not carry any specific terms of repayment nor any interest charges.

7. Share Capital

Authorized, unlimited numbers of class:
A voting, participating shares;
B voting, participating shares;
C non-voting, participating shares.

Issued	#	Amount
Class A shares	100	$ 100

8. Income Taxes

As at September 30, 1994 the company has accumulated non-capital losses for income tax purposes in the amount of $ 138,121. The potential tax benefit has not been recorded in these financial statements. These loss carry-forwards which are available to reduce taxable income in future years will expire in the year ended September 30, 2000.

9. Commencement of Operations

The company was incorporated March 8, 1994 and commenced operations March 15, 1994.

SCHEDULE "D"

FOLLGARD CD. VISIONS INC.

FINANCIAL STATEMENTS

JANUARY 31, 1995
(unaudited)

CONTENTS	Page

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Gregory M. Hemstad
Robert A. Fischer

REVIEW ENGAGEMENT REPORT

To the Shareholders of Follgard CD. Visions Inc.

We have reviewed the balance sheet of Follgard CD. Visions Inc. as at January 31, 1995 and the statement of loss and deficit for the four month period then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Ladell Perry
Chartered Accountants

Red Deer, Alberta
April 2, 1995

FOLLGARD CD. VISIONS INC.

BALANCE SHEET

JANUARY 31, 1995
(unaudited)

Assets

	January 31, 1995	September 30, 1994
Current		
Cash	$ 45	1,906
Accounts receivable	19,416	10,558
Prepaid expenses	26,156	18,158
	45,617	30,622
Property and equipment (Note 2)	114,209	76,660
Deferred development costs (Note 3)	315,267	123,782
	$ 475,093	231,064

Liabilities

	January 31, 1995	September 30, 1994
Current		
Accounts payable and accruals	$ 21,011	51,086
Note payable (Note 4)	100,000	25,000
Advances from The Follgard Group Inc. (Note 5)	187,500	
	308,511	76,086
Due to affiliated companies (Note 6)	181,561	149,350
Due to shareholder (Note 7)	29,388	19,950
	519,460	245,386

Capital Deficiency

	January 31, 1995	September 30, 1994
Share capital (Note 8)	125	100
Deficit	(44,492)	(14,422)
	(44,367)	(14,322)
	$ 475,093	231,064

Approved by the Board

_______________ Director

_______________ Director

FOLLGARD CD. VISIONS INC.

STATEMENT OF LOSS AND DEFICIT

FOUR MONTHS ENDED JANUARY 31, 1995
(unaudited)

	January 31, 1995 (4 months)	September 30, 1994 (6 months)
Revenue	$ —	—
Expenses		
Reception and office services	22,576	9,682
Professional fees	6,630	1,500
Accounting	864	3,240
	30,070	14,422
Net loss	30,070	14,422
Deficit at beginning of year	14,422	—
Deficit at end of year	$ 44,492	14,422

1. Accounting Policies

Follgard CD. Visions Inc. is a privately-owned company which is engaged in the CD ROM development and sales business and is incorporated under Alberta's Business Corporations Act. These financial statements have been prepared in accordance with principles generally accepted in Canada including the historical cost basis. Significant accounting policies are as follows:

(a) Property and Equipment

Furniture and fixtures are reported at cost less amortization calculated in accordance with the declining balance method.

Computer hardware is reported at cost less amortization calculated in accordance with the straight line method.

Leasehold improvements are reported at cost less amortization calculated in accordance with the straight line method over the term of the lease.

(b) Deferred Development Costs

The costs associated with the development of new productions are deferred and amortized over the life of the production.

(c) Income Taxes

The company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

2. Property and Equipment

		January 31, 1995			September 30, 1994
	Rate	Cost	Accumulated Amortization	Net	
Computer hardware	3 yrs.	$ 110,460	24,455	86,005	67,857
Furniture and fixtures	20%	20,253	2,278	17,975	8,803
Leasehold improvements	5 yrs.	10,968	739	10,229	
		$ 141,681	27,472	114,209	76,660

3. Deferred Development Costs

Expenditures to September 30, 1994	$ 123,782
Current period expenditures	191,485
	$ 315,267

These costs relate to the development of CD Rom productions.

4. Note Payable

The note payable is due on demand and bears interest at prime plus 2% (currently - 9.25%).

5. Advances From The Follgard Group Inc.

These advances bear interest at 11%, and are due on demand.

6. Due to Affiliated Companies

The amount due to affiliated companies represents advances that are non-interest bearing and payable on demand from the following companies:

	January 31, 1995	September 30, 1994
Investco Holdings Inc.	$ 141,670	136,984
Follgard Inc.	14,094	8,785
The Quality Group Inc.	18,893	1,802
Maximum Endeavours Inc.		1,779
D.G.S. Computers Inc.	6,904	
	$ 181,561	149,350

7. Due to Shareholder

The balance due to shareholder represents advances which do not carry any specific terms of repayment nor any interest charges.

8. Share Capital

Authorized, unlimited numbers of class:
- A voting, participating shares;
- B voting, participating shares;
- C non-voting, participating shares.

Issued	January 31, 1995 #	Amount	September 30, 1994 #	Amount
Class A shares	125	$ 125	100	$ 100

During the period, the company issued 25 shares for $ 1.00 per share.

9. Income Taxes

As at January 31, 1995 the company has accumulated non-capital losses for income tax purposes in the amount of $ 359,677. The potential tax benefit has not been recorded in these financial statements. Should taxable income not be generated in sufficient amounts to utilize these losses they will expire as follows:

September 30, 2000	$ 138,121
September 30, 2001	221,556
	$ 359,677

10. Subsequent Events

The company completed the development of its first title "Lost Treasures" and commenced production on February 8, 1995.

The shareholders of the company have entered into negotiations to exchange their outstanding shares for shares of The Follgard Group Inc., a junior capital pool corporation, with a proposed effective date of May 18, 1995. This transaction would result in a change of control of Follgard CD. Visions Inc. to The Follgard Group Inc. and is subject to the approval of the Alberta Stock Exchange.

11. Comparative Amounts

Certain September 30, 1994 amounts have been reclassified to conform with January 31, 1995 presentation.

The Tamarack Group Ltd.
Corporate Finance Professionals

SCHEDULE "E"

THE TAMARACK GROUP LTD. • CORPORATE FINANCE PROFESSIONALS • SUITE 600, 808 - 4TH AVE. S.W. • CALGARY, ALBERTA • T2P 3E8 • TELEPHONE (403) 269-1011 • FACSIMILE (403) 269-1438

REVIEW ENGAGEMENT REPORT

TO THE DIRECTORS
OF FOLLGARD CD • VISIONS INC.:

The accompanying financial projections of Follgard CD • Visions Inc. consisting of a projected balance sheet, statements of income and of cash flow for the periods ending January 31, 1996 through to January 31, 1998 have been prepared by management using assumptions with an effective date of February 24, 1995. We have reviewed the support provided by management for the assumptions, and the preparation and presentation of this projection. Our review is made in accordance with generally accepted accounting standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management. We have no responsibility to update this report for events and circumstances occurring after its date.

A review does not constitute an audit and consequently we do not express an audit opinion on this projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

(a) the assumptions underlying the projections, as at the date of this report, are not suitably supported and consistent with the plans of the company and do not provide a reasonable basis for the projections;

(b) these projections do not reflect such assumptions; and

(c) these projections are not presented in accordance with the accounting standards for future orientated financial information established by the Canadian Institute of Chartered Accountants.

Since these projections are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, no assurance is expressed as to whether or not this projection will be achieved.

The Tamarack Group Ltd

TAMARACK GROUP LTD.

Calgary, Alberta
February 28, 1995

Foilgard CD. Visions Inc.
Projected Balance Sheet
As at

(unaudited)		Jan/95	Feb/95	Mar/95	Apr/95	May/95	Jun/95	Jul/95	Aug/95	Sep/95	Oct/95	Nov/95	Dec/95	Jan/96	Jan/97	Jan/98
ASSETS																
CURRENT																
Cash		44	1,072	747	2,572	397	1,022	2,697	3,072	772	3,722	1,172	92,222	334,647	1,629,551	3,734,047
Accounts receivable	[Note 3]	1,020	3,500	18,250	21,250	21,250	49,250	90,250	174,750	278,750	262,500	290,000	455,000	264,750	721,233	1,055,342
Inventory	[Note 4]	0	25,000	22,500	20,000	6,500	11,500	22,500	35,000	30,000	35,000	57,500	25,500	38,250	71,333	107,000
Prepaids		9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220	9,220
		10,284	38,792	50,717	53,042	37,367	70,992	124,667	222,042	318,742	310,442	357,892	581,942	646,867	2,431,337	4,905,609
DEFERRED DEVELOPMENT COSTS	[Note 5]	294,852	312,438	330,024	347,609	365,195	382,781	400,367	417,953	435,538	453,124	470,710	488,296	505,882	836,911	1,337,941
CAPITAL	[Note 6]	134,110	149,119	154,128	159,137	174,147	169,156	164,165	159,174	154,183	149,192	144,202	149,211	194,220	330,062	604,357
		439,246	500,349	534,869	559,789	576,709	622,929	689,199	799,169	908,464	912,759	972,804	1,219,449	1,346,969	3,598,310	6,847,908
LIABILITIES																
CURRENT																
Bank indebtedness		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	[Note 7]	36,681	46,164	40,764	35,764	50,264	39,964	51,464	86,764	115,514	104,014	115,514	177,264	143,664	183,164	295,031
Royalties	[Note 8]	0	500	3,000	5,500	8,000	14,500	26,000	22,500	57,500	87,500	122,500	180,000	205,500	325,000	535,000
Interest	[Note 9]	0	4,326	9,496	15,243	21,430	27,846	34,675	41,503	48,002	53,053	56,435	0	0	0	0
Income taxes		0	(10,529)	(17,690)	(23,822)	(31,104)	(31,429)	(22,942)	2,058	47,950	85,853	132,471	216,963	248,549	337,410	467,995
Note payable	[Note 10]	100,000	100,000	100,000	100,000	100,000	100,000	100,000	82,000	2,000	0	0	0	0	0	0
		136,681	140,462	135,570	132,685	148,590	150,881	189,197	234,826	270,966	330,420	426,920	574,227	597,713	845,575	1,298,025
DEFERRED TAXES	[Note 11]	0	(3,881)	(6,521)	(8,781)	(11,466)	(11,586)	(8,457)	759	17,676	31,648	48,833	79,979	91,623	228,756	427,067
DUE TO AFFILIATED COMPANIES	[Note 12]	330,000	422,000	485,000	533,000	558,000	603,000	603,000	585,000	507,000	327,000	137,000	0	0	0	0
DUE TO SHAREHOLDER	[Note 13]	41,950	41,950	41,950	41,950	41,950	41,950	41,950	41,950	41,950	41,950	41,950	0	0	0	0
		508,631	600,531	655,999	698,854	737,074	784,245	825,690	862,534	837,592	731,018	654,703	654,206	689,336	1,074,330	1,725,092
SHAREHOLDERS' EQUITY																
CAPITAL STOCK	[Note 14]	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
RETAINED EARNINGS (DEFICIT)		(69,485)	(100,282)	(121,230)	(139,165)	(160,465)	(161,417)	(136,591)	(63,465)	70,771	181,640	318,000	565,142	657,533	2,523,880	5,122,715
		(69,385)	(100,182)	(121,130)	(139,065)	(160,365)	(161,317)	(136,491)	(63,365)	70,871	181,740	318,100	565,242	657,633	2,523,980	5,122,815
		439,246	500,349	534,869	559,789	576,709	622,929	689,199	799,169	908,464	912,759	972,804	1,219,449	1,346,969	3,598,310	6,847,908

Foilgard CD. Visions Inc.
Projected Income Statement
For the period ending

(unaudited) [Note 15]	Feb/95	Mar/95	Apr/95	May/95	Jun/95	Jul/95	Aug/95	Sep/95	Oct/95	Nov/95	Dec/95	Jan/96	Total	Jan/97	Jan/98
REVENUE	5,000	25,000	25,000	25,000	65,000	115,000	225,000	350,000	300,000	350,000	575,000	255,000	2,315,000	5,850,000	8,560,000
EXPENSES															
Administration wages	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	50,000	70,000
Sales wages & commissions	8,000	8,000	8,000	8,000	8,000	8,000	11,250	17,500	15,000	17,500	28,750	12,750	150,750	292,500	428,000
Royalties	500	2,500	2,500	2,500	6,500	11,500	22,500	35,000	30,000	35,000	57,500	25,500	231,500	650,000	1,070,000
Producton Costs	500	2,500	2,500	2,500	6,500	11,500	22,500	35,000	30,000	35,000	57,500	25,500	231,500	520,000	749,000
Shipping and handling	150	750	750	750	1,950	3,450	6,750	10,500	9,000	10,500	17,250	7,650	69,450	169,000	235,400
Advertising and promotion	5,000	5,000	5,000	10,000	10,000	10,000	20,000	20,000	20,000	20,000	20,000	20,000	165,000	300,000	500,000
Bad debts	25	125	125	125	325	575	1,125	1,750	1,500	1,750	2,875	1,275	11,575	29,250	42,800
Office	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	45,000	60,000
Telephone	1,000	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	16,000	25,000	40,000
Rent and operating costs	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000	60,000	80,000
Insurance	200	200	200	200	200	200	200	200	200	200	200	200	2,400	3,000	4,000
Supplies	500	500	500	500	500	500	500	500	500	500	500	500	6,000	10,000	15,000
Repairs and maintenance	600	600	600	600	600	600	600	600	600	600	600	600	7,200	10,000	12,000
Professional fees	8,000	8,000	3,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	41,500	50,000	60,000
Interest charges	4,326	5,170	5,747	6,187	6,416	6,829	6,829	6,499	5,050	3,382	1,640	0	58,075	0	0
Amortization of deferred development costs	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	88,970	168,970	298,970
Amortization of capital assets	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	59,890	114,158	225,705
	50,206	55,750	51,327	56,267	66,396	78,559	117,659	152,954	137,255	149,837	212,220	119,380	1,247,811	2,496,878	3,890,875
NET INCOME (LOSS) BEFORE INCOME TAXES	(45,206)	(30,750)	(26,327)	(31,267)	(1,396)	36,441	107,341	197,046	162,745	200,163	362,780	135,620	1,067,189	3,353,122	4,669,125
INCOME TAXES															
Current	(16,163)	(10,994)	(9,413)	(11,179)	(499)	13,029	38,379	70,453	58,189	71,567	129,710	48,490	381,569	1,349,642	1,871,978
Reduction in current due to loss carryforwards	5,635	3,833	3,282	3,897	174	(4,542)	(13,380)	(24,561)	(20,285)	(24,949)	(45,219)	(16,904)	(133,020)	0	0
Deferred	(3,881)	(2,640)	(2,260)	(2,684)	(120)	3,129	9,216	16,917	13,972	17,185	31,146	11,644	91,623	137,133	198,311
	(14,410)	(9,802)	(8,392)	(9,967)	(445)	11,616	34,216	62,809	51,876	63,803	115,638	43,230	340,172	1,486,774	2,070,290
NET INCOME	(30,797)	(20,948)	(17,935)	(21,301)	(951)	24,825	73,126	134,237	110,869	136,360	247,142	92,390	727,018	1,866,348	2,598,835
BEGINNING (DEFICIT) RETAINED EARNINGS	(69,485)	(100,282)	(121,230)	(139,165)	(160,465)	(161,417)	(136,591)	(63,465)	70,771	181,640	318,000	565,142	(69,485)	657,533	2,523,880
CLOSING (DEFICIT) RETAINED EARNINGS	(100,282)	(121,230)	(139,165)	(160,465)	(161,417)	(136,591)	(63,465)	70,771	181,640	318,000	565,142	657,533	657,533	2,523,880	5,122,715

The Tamarack Group Ltd.
Corporate Finance Professionals

Foligard CD. Visions Inc.
Projected Statement of Cash Flow
For the period ending

(unaudited)

CASH PROVIDED BY (USED IN):	Feb/95	Mar/95	Apr/95	May/95	Jun/95	Jul/95	Aug/95	Sep/95	Oct/95	Nov/95	Dec/95	Jan/96	Total	Jan/97	Jan/98
OPERATING ACTIVITIES															
Net (loss) income	(30,797)	(20,948)	(17,935)	(21,301)	(951)	24,825	73,126	134,237	110,869	136,360	247,142	92,390	727,018	1,866,348	2,598,835
Items not affecting cash															
Deferred taxes	(3,881)	(2,640)	(2,260)	(2,684)	(120)	3,129	9,216	16,917	13,972	17,185	31,146	11,644	91,623	137,133	198,311
Amortization of deferred development costs	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	7,414	88,970	168,970	296,970
Amortization of capital assets	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	4,991	59,890	114,158	225,705
	(22,273)	(11,183)	(7,790)	(11,580)	11,334	40,359	94,746	163,559	137,246	165,950	290,693	116,439	967,501	2,286,608	3,321,822
Changes in working capital															
Accounts receivable	(2,480)	(14,750)	(3,000)	0	(28,000)	(41,000)	(84,500)	(104,000)	16,250	(27,500)	(165,000)	190,250	(263,730)	(456,483)	(334,110)
Inventory	(25,000)	2,500	2,500	13,500	(5,000)	(11,000)	(12,500)	5,000	(5,000)	(22,500)	32,000	(12,750)	(38,250)	(33,083)	(35,667)
Accounts payable	9,483	(5,400)	(5,000)	14,500	(10,300)	11,500	35,300	28,750	(11,500)	11,500	61,750	(33,600)	106,983	39,500	111,867
Royalties	500	2,500	2,500	2,500	6,500	11,500	(3,500)	35,000	30,000	35,000	57,500	25,500	205,500	119,500	210,000
Interest	4,326	5,170	5,747	6,187	6,416	6,829	6,829	6,490	5,050	3,382	(56,435)	0	0	0	0
Income taxes	(10,529)	(7,162)	(6,132)	(7,282)	(325)	8,487	25,000	45,892	37,903	46,618	84,492	31,586	248,549	88,861	130,584
	(45,972)	(28,325)	(11,175)	17,825	(19,375)	26,675	61,375	180,700	209,950	212,450	305,000	317,425	1,226,553	2,044,904	3,404,496
FINANCING ACTIVITIES															
Note payable	0	0	0	0	0	0	(18,000)	(80,000)	(2,000)	0	0	0	(100,000)	0	0
Advances (to) from affiliated companies	92,000	63,000	48,000	25,000	45,000	0	(18,000)	(78,000)	(180,000)	(190,000)	(137,000)	0	(330,000)	0	0
Advances (to) from shareholder	0	0	0	0	0	0	0	0	0	0	(41,950)	0	(41,950)	0	0
	92,000	63,000	48,000	25,000	45,000	0	(36,000)	(158,000)	(182,000)	(190,000)	(178,950)	0	(471,950)	0	0
INVESTING ACTIVITIES															
Deferred development costs	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(300,000)	(500,000)	(800,000)
Purchase of fixed assets	(20,000)	(10,000)	(10,000)	(20,000)	0	0	0	0	0	0	(10,000)	(50,000)	(120,000)	(250,000)	(500,000)
	(45,000)	(35,000)	(35,000)	(45,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(35,000)	(75,000)	(420,000)	(750,000)	(1,300,000)
INCREASE (DECREASE) IN CASH	1,028	(325)	1,825	(2,175)	625	1,675	375	(2,300)	2,950	(2,550)	91,050	242,425	334,603	1,294,904	2,104,496
CASH AT BEGINNING OF PERIOD	44	1,072	747	2,572	397	1,022	2,697	3,072	772	3,722	1,172	92,222	44	334,647	1,629,551
CASH AT END OF PERIOD	1,072	747	2,572	397	1,022	2,697	3,072	772	3,722	1,172	92,222	334,647	334,647	1,629,551	3,734,047

FOLLGARD CD • VISIONS INC.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 1 CAUTIONARY NOTE

These financial projections are an estimate of the results of operations for a three year period ending January 31, 1998 based on management's assumptions concerning future events and circumstances that are not necessarily the most likely. The assumptions set forth below are those which are significant to the projections or are key factors upon which the financial results of the enterprise depend. The Company commenced operations on May 1, 1994 and has not yet declared a fiscal year end.

Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to February 24, 1995, the effective date of the underlying assumptions to these projections. Therefore, the actual results achieved during the projected period will vary from the projections and the variations may be material.

The Company accepts no responsibility to update these projections for events occurring subsequent to the issue date.

NOTE 2 SUBSEQUENT EVENT

It is projected that the Company will enter into a transaction with The Follgard Group Inc., a publicly listed Junior Capital Pool on the Alberta Stock Exchange whereby The Follgard Group Inc. will purchase 100% of the outstanding shares of Follgard CD • Visions Inc. The consideration for these assets will be shares in The Follgard Group Inc.

These financial projections do not account for any funds that may be raised or expensed through this transaction.

This transaction is projected to take place by April 1, 1995.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable are calculated as the portion of sales that are assumed to be collectable in subsequent periods. The Company projects it will take 45 days to collect a receivable. A factor of 0.5% of sales has been allowed for bad debts.

NOTE 4 INVENTORY

Inventory of finished CD products is recorded at projected cost. Once commercial operations commence, it is projected that a maximum of one month's sales will be in inventory as turnaround time to produce a CD is approximately 2 weeks. The cost to produce a CD is projected to average $5.00 per unit in the first year, falling to $4.00 and $3.50 for the remaining years in the projection. The unit costs are projected to decline with increasing volumes and larger production runs.

NOTE 5 DEFERRED DEVELOPMENT COSTS

These deferred costs represent the costs incurred to develop the CD's. The majority of costs are the creative staffs' wages and benefits. There are currently 8 creative and development staff whose wages are being capitalized. In the second year of the projections, another 5 development staff are projected to be added. In the third year, an additional 6 staff will be added.

These deferred costs are being amortized over 5 years on a straight line basis, which is the estimated shelf life of the products. Amortization is charged at one half of the annual rate in the year the costs are incurred.

NOTE 6 CAPITAL ASSETS

Capital assets are recorded at projected cost. Amortization has been provided at the following rates:

Furniture and equipment	20%	declining balance
Computer equipment	3 yrs	straight line
Leasehold improvements	5 yrs	straight line

Amortization is charged at one half of the annual rate in the year of acquisition of an asset.

Due to the nature of the equipment that is used to develop the CD's, it is projected that the Company will need to incur substantial capital asset additions during the projection period. These additions will include video equipment, computers, computer equipment and audio equipment. In addition to this equipment, the Company assumes that each new creative development staff member will require approximately $12,000 in furniture and computer equipment to perform their jobs.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 7 ACCOUNTS PAYABLE

Accounts payable are not expected to be a large component of the balance sheet. It is projected any payables that arise from operations will be paid 45 days from the date of incurrence.

NOTE 8 ROYALTIES

The current royalty agreements state that any royalties are to be paid on a semi-annual basis. It is projected that all future royalty agreements will contain this payment schedule. Royalties would be incurred when copyright material, expertise, trademarks or well known names are used in the production and development of a CD-ROM.

NOTE 9 INTEREST PAYABLE

As the debt for the Company is owed to associated parties, any interest incurred is assumed to remain unpaid and will accumulate until such time that the Company has sufficient cash flow to repay these amounts in full.

NOTE 10 NOTE PAYABLE

The note payable is owed to an associated party that has interest in one of the affiliated companies the Company deals with. Interest will be payable at prime plus 2%, which during the projection period is expected to average 11%. The Company projects sufficient cash flow in the first year to fully repay the note by fiscal year-end. As such, the note is classified as a current liability. This note is secured.

NOTE 11 DEFERRED TAXES

The Company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

NOTE 15 INCOME STATEMENT ASSUMPTIONS (CONTINUED)

(i) Professional Fees: The Company anticipates incurring legal and professional fees associated with each CD royalty agreement. Cross-border sales have also been considered.

(j) In contemplation of the transaction referred to in Note 2, Income taxes are based on the current rates provided by the Canadian Income Tax Act for public companies. The first year's taxes have been reduced due to loss carryforwards of approximately $300,000.

SCHEDULE "F"

D.G.S. COMPUTERS INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

CONTENTS	Page

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Robert A. Fischer

AUDITORS' REPORT

To the Shareholders of D.G.S. Computers Inc.

We have audited the balance sheet of D.G.S. Computers Inc. as at September 30, 1994 and the statements of earnings, retained earnings and changes in financial position for the three month period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were appointed auditors of the company during the current period, we were not able to observe the counting of physical inventories at the beginning of the period nor satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and changes in financial position, we were unable to determine whether adjustments to cost of sales, income taxes, net earnings for the period, opening retained earnings and cash provided from operations might be necessary.

We were not able to satisfy ourselves with the accounts receivable balances at the beginning of the period nor satisfy ourselves concerning those balances by alternative means. Since opening accounts receivable balances enter into the determination of the results of operations and changes in financial position, we were unable to determine whether the adjustments to sales, income taxes, net earnings for the period, opening retained earnings and cash provided from operations might be necessary.

We were not able to satisfy ourselves with the accounts payable balances at the beginning of the year nor satisfy ourselves concerning those balances by alternative means. Since opening accounts payable enter into the determination of the results of operations and changes in financial position, we were unable to determine whether adjustments to cost of sales, expenses, income taxes, net earnings for the period, opening retained earnings and cash provided from operations might be necessary.

LADELL PERRY

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AUDITORS' REPORT (Cont.)

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine opening inventory quantities, accounts receivable and payable balances, as described in the preceding paragraphs, the statements of earnings, retained earnings and changes in financial position present fairly, in all material respects, the results of operations and the changes in financial position of the company for the three month period ended September 30, 1994 in accordance with generally accepted accounting principles. Further, in our opinion, the balance sheet presents fairly, in all material respects, the financial position of the company as at September 30, 1994 in accordance with generally accepted accounting principles.

Ladell Perry

Red Deer, Alberta
November 26, 1994

CHARTERED ACCOUNTANTS

D.G.S. COMPUTERS INC.

BALANCE SHEET

SEPTEMBER 30, 1994

Assets

	September 30, 1994	June 30, 1994 (unaudited)
Current		
Cash	$ 11,690	2,558
Accounts receivable - trade	395,882	183,734
- other		1,535
Inventory	173,024	159,948
Prepaid expenses	5,415	1,055
	586,011	348,830
Equipment (Note 2)	165,062	5,334
	$ 751,073	354,164

Liabilities

	September 30, 1994	June 30, 1994 (unaudited)
Current		
Bank indebtedness (Note 3)	$ 70,276	43,003
Accounts payable and accruals	435,685	152,729
Income taxes	6,127	2,729
Note payable (Note 4)	80,000	
	592,088	198,461

Equity

	September 30, 1994	June 30, 1994 (unaudited)
Share capital (Note 5)	167	133
Retained earnings	158,818	155,570
	158,985	155,703
	$ 751,073	354,164

Approved by the Board

Director

D.G.S. COMPUTERS INC.

STATEMENT OF RETAINED EARNINGS

THREE MONTHS ENDED SEPTEMBER 30, 1994

	1994	June 30, 1994 (12 months) (unaudited)
Balance at beginning of period	$ 155,570	8,043
Net earnings	3,248	147,527
Balance at end of period	$ 158,818	155,570

D.G.S. COMPUTERS INC.

STATEMENT OF EARNINGS

THREE MONTHS ENDED SEPTEMBER 30, 1994

	1994		June 30, 1994 (12 months) (unaudited)	
	Amount	% of Sales	Amount	% of Sales
Sales	$ 728,088	100.0	1,464,799	100.0
Cost of sales	493,522	67.8	1,190,446	81.3
Gross margin	234,566	32.2	274,353	18.7
Expenses				
Wages and benefits	75,895	10.4	165,938	11.3
Consulting fees	26,520	3.6	39,100	2.6
Rent	21,867	3.1	21,446	1.5
Advertising	21,448	2.9	1,332	.1
Telephone and utilities	17,801	2.4	9,053	.6
Management salaries	16,281	2.2	111,900	7.6
Amortization	15,856	2.2	11,547	.8
Automotive	10,295	1.4	22,092	1.5
Office	6,180	.9	6,533	.4
Interest and bank charges	3,517	.5	5,688	.4
Other	3,378	.5		
Travel and entertainment	2,958	.4	18,374	1.3
Repairs and maintenance	2,100	.3	1,240	.1
Professional fees	1,800	.3	6,346	.4
Staff development	1,718	.2	1,269	.1
Business taxes and insurance	1,004	.1	2,436	.2
Bad debts			27,163	1.8
Insurance			3,114	.2
	228,618	31.4	454,571	30.9
Earnings (loss) from operations	5,948	.8	(180,215)	12.2
Other income			334,445	22.8
Earnings before income taxes	5,948	.8	154,227	10.6
Income taxes	2,700	.4	6,700	.5
Net earnings	$ 3,248	.4	147,527	10.1

D.G.S. COMPUTERS INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

THREE MONTHS ENDED SEPTEMBER 30, 1994

	1994	June 30, 1994 (12 months) (unaudited)
Operating activities		
Net earnings	$ 3,248	147,527
Adjust for amounts not affecting cash		
Amortization	15,856	11,547
	19,104	159,074
Net change in non-cash working capital amounts		
Accounts receivable	(210,613)	211,214
Inventories	(13,076)	(62,994)
Prepaid expenses	(4,360)	2,095
Accounts payable and accruals	282,956	29,969
Income taxes	3,398	2,729
Note payable	80,000	(36,707)
	138,305	146,306
	157,409	305,380
Financing activities		
Advances (to) from shareholder		(399,603)
Proceeds from sale of shares	34	33
	34	(399,570)
Investing activities		
Purchase of equipment	(175,584)	(4,437)
Change in net cash position	(18,141)	(98,627)
Net cash position at beginning of period	(40,445)	58,182
Net cash position at end of year	$ (58,586)	(40,445)
Net cash position consists of:		
Cash	$ 11,690	2,558
Bank indebtedness	(70,276)	(43,003)
	$ (58,586)	(40,445)

1. Accounting Policies

D.G.S. Computers Inc. is a privately-owned company which is engaged in the computer sales and service business and is incorporated under Alberta's Business Corporations Act. These financial statements have been prepared in accordance with principles generally accepted in Canada including the historical cost basis. Significant accounting policies are as follows:

(a) Equipment

Computer equipment is reported at cost less amortization calculated in accordance with the straight line method.

Equipment is reported at cost less amortization calculated in accordance with the declining balance method.

Leasehold improvements are reported at cost less amortization calculated in accordance with the straight line method over the term of the lease plus one renewal period.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the specific item basis including freight.

(c) Income Taxes

The company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

2. Property and Equipment

		September 30, 1994			June 30, 1994 (unaudited)
	Rate	Cost	Accumulated Amortization	Net	Net
Computer Software	2 yrs.	$ 49,779	30,505	19,274	2,430
Computer Hardware	3 yrs.	74,129	7,663	66,466	92
Training equipment	3 yrs.	36,530	3,044	33,486	
Leasehold improvements	5 yrs.	19,465	974	18,491	
Office equipment	20%	35,963	8,618	27,345	2,812
		$ 215,866	50,804	165,062	5,334

3. Bank Indebtedness

The company has provided a General Security Agreement on accounts receivable and inventory as well as postponement of shareholders advances and personal guarantees issued by the shareholders as security on the bank indebtedness.

Bank indebtedness consists of:	September 30, 1994	June 30, 1994 (unaudited)
Bank loan	$ 70,000	30,000
Excess of cheques issued over funds on deposit	276	13,003
	$ 70,276	43,003

4. Note Payable

The note payable is an advance from The Quality Group Inc. and is non-interest bearing and due on demand.

5. Share Capital

Authorized, unlimited numbers of Class:
A voting, participating shares;
B voting, participating shares;
C non-voting, cumulative, redeemable, preferred shares;
D non-voting, cumulative, redeemable, preferred shares.

	September 30, 1994		June 30, 1994 (unaudited)	
Issued	#	Amount	#	Amount
Class A shares	167	$ 167	133	$ 133

During the period, the company issued 34 shares at $ 1 per share.

6. Contractual Obligations

The company has entered into a lease agreement for its business premises, the initial term of which expires June 30, 1999. The lease requires monthly payments of $ 8,531 which includes normal occupancy costs.

7. Contingent Liability

The company has been named as defendants in a statement of claim. The claim alleges that the company owes management fees of $ 186,760 to a former affiliate. The company has filed counter claims to the above lawsuit.

The company's external legal counsel is of the view that the claim is in a preliminary stage and settlement of the claim is not determinable. Management is of the opinion that the claims are without merit and fully intend to defend the actions.

8. Comparative Amounts

Certain June 30, 1994 amounts have been reclassified to conform with September 30, 1994 presentations. The comparative amounts have not been audited.

SCHEDULE "G"

D.G.S. COMPUTERS INC.

FINANCIAL STATEMENTS

JANUARY 31, 1995
(unaudited)

LADELL PERRY

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REVIEW ENGAGEMENT REPORT

To the Shareholders of D.G.S. Computers Inc.

We have reviewed the balance sheet of D.G.S. Computers Inc. as at January 31, 1995 and the statements of earnings, retained earnings and changes in financial position for the four months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Ladell Perry
Chartered Accountants

Red Deer, Alberta
April 3, 1995

D.G.S. COMPUTERS INC.

BALANCE SHEET

JANUARY 31, 1995
(unaudited)

Assets

	January 31, 1995	September 30, 1994
Current		
Cash	$ 10,015	11,690
Accounts receivable	267,086	395,882
Inventory	267,463	173,024
Prepaid expenses	4,818	5,415
	549,382	586,011
Property and equipment (Note 2)	147,571	165,062
	$ 696,953	751,073

Liabilities

	January 31, 1995	September 30, 1994
Current		
Bank indebtedness (Note 3)	$ 44,275	70,276
Accounts payable and accruals	413,336	428,314
Wages and wage deductions payable	16,295	7,371
Note payable (Note 4)	135,000	80,000
Advances from The Follgard Group Inc. (Note 5)	80,000	
Income taxes		6,127
	688,906	592,088
Due to shareholders (Note 6)	7,655	
	696,561	592,088

Equity

	January 31, 1995	September 30, 1994
Share capital (Note 7)	167	167
Retained earnings	225	158,818
	392	158,985
	$ 696,953	751,073

Approved by the Board

[signature] Director

[signature] Director

D.G.S. COMPUTERS INC.

STATEMENT OF RETAINED EARNINGS

FOUR MONTHS ENDED JANUARY 31, 1995
(unaudited)

	January 31, 1995 (4 months)	September 30, 1994 (3 months)
Balance at beginning of period	$ 158,818	155,570
Net (loss) earnings	(158,593)	3,248
Balance at end of period	$ 225	158,818

D.G.S. COMPUTERS INC.

STATEMENT OF EARNINGS

FOUR MONTHS ENDED JANUARY 31, 1995
(unaudited)

	January 31, 1995 (4 months)		September 30, 1994 (3 months)	
	Amount	% of Sales	Amount	% of Sales
Sales	$ 998,036	100.0	728,088	100.0
Cost of sales	727,249	72.9	493,522	67.8
Gross margin	270,787	27.1	234,566	32.2
Expenses				
Wages and benefits	158,855	15.9	75,895	10.4
Management salaries	97,392	9.8	16,281	2.2
Consulting fees	40,345	4.0	26,520	3.6
Rent	34,175	3.4	21,867	3.1
Advertising	33,499	3.4	21,448	2.9
Amortization	19,064	1.9	15,856	2.2
Professional fees	14,351	1.4	1,800	.3
Interest and bank charges	10,994	1.1	3,517	.5
Telephone	5,393	.5	17,801	2.4
Office	4,677	.5	6,180	.9
Travel and entertainment	3,370	.3	2,958	.4
Supplies	2,990	.3		
Bad debts	2,967	.3		
Repairs and maintenance	2,640	.3	2,100	.3
Business taxes and insurance	2,144	.2	1,004	.1
Staff development	2,094	.2	1,718	.2
Other	557	.1	3,378	.5
Automotive			10,295	1.4
	435,507	43.6	228,618	31.4
(Loss) earnings from operations	(164,720)	16.5	5,948	.8
Income taxes (recovery)	(6,127)	.6	2,700	.4
Net (loss) earnings	$ (158,593)	15.9	3,248	.4

D.G.S. COMPUTERS INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOUR MONTHS ENDED JANUARY 31, 1995
(unaudited)

	January 31, 1995 (4 months)	September 30, 1994 (3 months)
Operating activities		
Net (loss) earnings	$ (158,593)	3,248
Adjust for amounts not affecting cash		
Amortization	19,064	15,856
	(139,529)	19,104
Net change in non-cash working capital amounts		
Accounts receivable	128,796	(210,613)
Inventories	(94,439)	(13,076)
Prepaid expenses	597	(4,360)
Accounts payable and accruals	(14,978)	275,585
Wages and wage deductions payable	8,924	7,371
Note payable	55,000	80,000
Advances from The Follgard Group Inc.	80,000	
Income taxes	(6,127)	3,398
	157,773	138,305
	18,244	157,409
Financing activities		
Advances from shareholder	7,655	
Proceeds from sale of shares		34
	7,655	34
Investing activities		
Purchase of equipment	(4,938)	(175,584)
Proceeds from disposal of equipment	3,365	
	(1,573)	(175,584)
Change in net cash position	24,326	(18,141)
Net cash position at beginning of period	(58,586)	(40,445)
Net cash position at end of year	$ (34,260)	(58,586)
Net cash position consists of:		
Cash	$ 10,015	11,690
Bank indebtedness	(44,275)	(70,276)
	$ (34,260)	(58,586)

1. Accounting Policies

D.G.S. Computers Inc. is a privately-owned company which is engaged in the computer sales and service business and is incorporated under Alberta's Business Corporations Act. These financial statements have been prepared in accordance with principles generally accepted in Canada including the historical cost basis. Significant accounting policies are as follows:

(a) Property and Equipment

Computer equipment is reported at cost less amortization calculated in accordance with the straight line method.

Equipment is reported at cost less amortization calculated in accordance with the declining balance method.

Leasehold improvements are reported at cost less amortization calculated in accordance with the straight line method over the term of the lease plus one renewal period.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the average cost basis including freight.

(c) Income Taxes

The company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

2. Property and Equipment

	Rate	Cost	January 31, 1995 Accumulated Amortization	Net	September 30, 1994 Net
Computer Hardware	3 yrs.	$ 76,208	15,878	60,330	66,466
Computer Software	2 yrs.	50,950	34,496	16,454	19,274
Office equipment	20%	37,651	10,553	27,098	27,345
Training equipment	3 yrs.	36,530	7,062	29,468	33,486
Leasehold improvements	5 yrs.	16,100	1,879	14,221	18,491
		$ 217,439	69,868	147,571	165,062

3. Bank Indebtedness

The company has provided a General Security Agreement on accounts receivable and inventory as well as postponement of shareholders advances and personal guarantees issued by the shareholders as security on the bank indebtedness.

Bank indebtedness consists of:	January 31, 1995	September 30, 1994
Bank loan	$	70,000
Excess of cheques issued over funds on deposit	44,275	276
	$ 44,275	70,276

4. Note Payable

The note payable represents advances due on demand and bears interest at prime (currently 9.25%) plus 2%.

5. Advances From The Follgard Group Inc.

These advances represent advances due on demand and bear interest at prime (currently 9.25%) until March 1995 and at prime plus 2% thereafter.

6. Due to Shareholders

The balance due to shareholders represents advances which do not carry any specific terms of repayment nor any interest charges.

7. Share Capital

Authorized, unlimited numbers of Class:
- A voting, participating shares;
- B voting, participating shares;
- C non-voting, cumulative, redeemable, preferred shares;
- D non-voting, cumulative, redeemable, preferred shares.

	January 31, 1995		September 30, 1994	
Issued	#	Amount	#	Amount
Class A shares	$ 167	$ 167	167	167

8. Income Taxes

The company has accumulated non-capital losses for income tax purposes, the potential benefit of which has not been recorded in these financial statements. These loss carry-forwards which are available to reduce taxable income in future years expire as follows:

Year ending September 30, 2001	$ 170,069
Year ending September 30, 2002	145,656
	$ 315,725

9. Contractual Obligations

The company has entered into a lease agreement for its business premises, the initial term of which expires June 30, 1999. The lease requires monthly payments of $ 9,133 which includes normal occupancy costs.

10. Subsequent Event

The shareholders of the company have entered into negotiations to exchange their outstanding shares for shares of The Follgard Group Inc., a junior capital pool corporation, with a proposed effective date of May 18, 1995. This transaction would result in a change of control, of D.G.S. Computers Inc., to The Follgard Group Inc. and is subject to the approval of the Alberta Stock Exchange

11. Contingent Liability

The company has been named as defendants in a statement of claim. The claim alleges that the company owes management fees of $ 186,760 to a former affiliate. The company has filed counter claims to the above lawsuit.

The company's external legal counsel is of the view that the claim is in a preliminary stage and settlement of the claim is not determinable. Management is of the opinion that the claims are without merit and fully intend to defend the actions.

12. Comparative Amounts

Certain September 30, 1994 amounts have been reclassified to conform with January 31, 1995 presentation.

The Tamarack Group Ltd.
Corporate Finance Professionals

SCHEDULE "H"

THE TAMARACK GROUP LTD. • CORPORATE FINANCE PROFESSIONALS • SUITE 600, 808 - 4TH AVE. S.W. • CALGARY, ALBERTA • T2P 3E8 • TELEPHONE (403) 269-1011 • FACSIMILE (403) 269-1438

REVIEW ENGAGEMENT REPORT

TO THE SHAREHOLDERS
OF DGS COMPUTERS INC.:

The accompanying financial projections of DGS Computers Inc. consisting of a projected balance sheet, statements of income and cash flow for the periods ending January 31, 1996 through to January 31, 1998 have been prepared by management using assumptions with an effective date of February 24, 1995. We have reviewed the support provided by management for the assumptions, and the preparation and presentation of this projection. Our review is made in accordance with generally accepted accounting standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by management. We have no responsibility to update this report for events and circumstances occurring after its date.

A review does not constitute an audit and consequently we do not express an audit opinion on this projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

(a) the assumptions underlying the projections, as at the date of this report, are not suitably supported and consistent with the plans of the company and do not provide a reasonable basis for the projections;

(b) these projections do not reflect such assumptions; and

(c) these projections are not presented in accordance with the accounting standards for future orientated financial information established by the Canadian Institute of Chartered Accountants.

Since these projections are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, no assurance is expressed as to whether or not this projection will be achieved.

The Tamarack Group Ltd.

Calgary, Alberta
February 28, 1995

TAMARACK GROUP LTD.

D.G.S. Computers Inc.
Projected Balance Sheet
As at

(unaudited)		Jan/95	Feb/95	Mar/95	Apr/95	May/95	Jun/95	Jul/95	Aug/95	Sep/95	Oct/95	Nov/95	Dec/95	Jan/96	Jan/97	Jan/98
ASSETS																
CURRENT																
Cash		0	0	0	15,386	0	57,936	0	0	46,230	0	0	128,585	0	0	0
Accounts receivable	[Note 3]	240,119	215,650	339,550	412,900	339,000	294,700	232,900	224,250	345,350	254,050	274,250	451,250	280,250	854,301	1,079,452
Inventory	[Note 4]	267,470	369,600	415,800	304,920	277,200	203,280	212,520	369,600	203,280	277,200	489,720	203,280	223,608	630,000	798,000
Prepaids		7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855	7,855
		515,444	593,105	763,205	741,061	624,055	563,771	453,275	601,705	602,715	539,105	771,825	790,970	511,713	1,492,156	1,885,307
DEFERRED DEVELOPMENT COSTS	[Note 5]	0	9,450	18,900	28,350	37,800	47,250	56,700	66,150	75,600	85,050	94,500	103,950	113,400	214,200	332,000
CAPITAL	[Note 6]	166,635	160,920	155,204	149,489	143,774	138,058	137,343	131,628	125,912	125,197	119,481	113,766	108,051	68,035	49,396
		682,079	763,475	937,309	918,899	805,629	749,079	647,318	799,483	804,227	749,352	985,806	1,008,686	733,164	1,774,391	2,266,703
LIABILITIES																
CURRENT																
Bank indebtedness	[Note 7]	34,070	95,122	39,036	0	6,189	0	31,764	77,893	0	33,255	113,613	0	10,645	81,613	46,363
Accounts payable	[Note 8]	458,964	491,500	712,400	716,760	594,800	544,400	420,000	533,500	605,540	525,000	680,500	791,180	512,500	1,228,333	1,415,833
Income taxes		0	0	0	0	0	0	0	0	0	0	0	0	0	14,885	139,562
Current portion of long term debt		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	0
		538,034	631,622	796,436	761,760	645,989	589,400	496,764	656,393	650,540	603,255	839,113	836,180	568,145	1,369,832	1,601,758
LONG TERM DEBT	[Note 9]	90,000	86,250	82,500	78,750	75,000	71,250	67,500	63,750	60,000	56,250	52,500	48,750	45,000	0	0
DEFERRED TAXES	[Note 10]	0	0	0	0	0	0	0	0	0	0	0	0	0	88,627	126,402
		628,034	717,872	878,936	840,510	720,989	660,650	564,264	720,143	710,540	659,505	891,613	884,930	613,145	1,458,459	1,728,160
SHAREHOLDERS' EQUITY																
CAPITAL STOCK	[Note 11]	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167
RETAINED EARNINGS		53,878	45,435	58,207	78,222	84,473	88,262	82,886	79,172	93,520	89,679	94,027	123,589	119,852	315,765	538,376
		54,045	45,602	58,374	78,389	84,640	88,429	83,053	79,339	93,687	89,846	94,194	123,756	120,019	315,932	538,543
		682,079	763,475	937,309	918,899	805,629	749,079	647,318	799,483	804,227	749,352	985,806	1,008,686	733,164	1,774,391	2,266,703

D.G.S. Computers Inc.
Projected Income Statement
For the period ending

(unaudited)
[Note 12]

	Feb/95	Mar/95	Apr/95	May/95	Jun/95	Jul/95	Aug/95	Sep/95	Oct/95	Nov/95	Dec/95	Jan/96	Total	Jan/97	Jan/98
REVENUE															
Computer products	210,000	400,000	450,000	330,000	300,000	220,000	230,000	400,000	220,000	300,000	530,000	220,000	3,810,000	7,500,000	9,500,000
Training	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	90,000	100,000	110,000
Sony support	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	72,000	80,000	90,000
Service and support	6,000	6,000	6,500	6,500	7,500	7,500	8,000	8,000	9,000	9,000	9,000	9,000	92,000	115,500	150,000
	229,500	419,500	470,000	350,000	321,000	241,000	251,500	421,500	242,500	322,500	552,500	242,500	4,064,000	7,795,500	9,850,000
COST OF GOODS SOLD															
Computer products	176,400	336,000	378,000	277,200	252,000	184,800	193,200	336,000	184,800	252,000	445,200	184,800	3,200,400	6,300,000	7,980,000
GROSS MARGIN	53,100	83,500	92,000	72,800	69,000	56,200	58,300	85,500	57,700	70,500	107,300	57,700	863,600	1,495,500	1,870,000
EXPENSES															
Commission	9,180	16,780	18,800	14,000	12,840	9,640	10,060	16,860	9,700	12,900	22,100	9,700	162,560	311,820	394,000
Salaries and benefits	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	270,000	360,000	410,000
Travel and automobile	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	45,000	60,000
Advertising	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000	100,000	125,000
Office	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	30,000	35,000
Bad debts	1,148	2,098	2,350	1,750	1,605	1,205	1,258	2,108	1,213	1,613	2,763	1,213	20,320	38,978	49,250
Insurance	200	200	200	200	200	200	200	200	200	200	200	200	2,400	3,000	4,000
Phone and fax	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	30,000	35,000
Rent and operating costs	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	108,000	130,000	150,000
Professional fees	700	700	700	700	700	700	700	700	700	700	700	700	8,400	45,000	60,000
Interest	1,550	2,186	1,169	1,134	1,100	1,066	1,031	2,520	963	1,975	3,210	859	18,762	3,060	6,964
Amortization of capital assets	5,715	5,715	5,715	5,715	5,715	5,715	5,715	5,715	5,715	5,715	5,715	5,715	68,584	60,016	68,639
Amortization of deferred development costs	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	12,600	39,200	72,200
	61,543	70,729	71,984	66,550	65,210	61,576	62,014	71,152	61,540	66,153	77,738	61,437	797,626	1,196,074	1,470,052
NET INCOME BEFORE INCOME TAXES	(8,443)	12,771	20,016	6,250	3,790	(5,376)	(3,714)	14,348	(3,840)	4,347	29,562	(3,737)	65,974	299,426	399,948
INCOME TAXES															
Current	609	(921)	(1,443)	(451)	(273)	388	268	(1,035)	277	(314)	(2,132)	270	(4,758)	90,294	139,562
Reduction in current due to loss carryforwards	(609)	921	1,443	451	273	(388)	(268)	1,035	(277)	314	2,132	(270)	4,758	(75,409)	0
Deferred	0	0	0	0	0	0	0	0	0	0	0	0	0	88,627	37,775
	0	0	0	0	0	0	0	0	0	0	0	0	0	103,513	177,337
NET INCOME	(8,443)	12,771	20,016	6,250	3,790	(5,376)	(3,714)	14,348	(3,840)	4,347	29,562	(3,737)	65,974	195,913	222,611
BEGINNING RETAINED EARNINGS	53,878	45,435	58,207	78,222	84,473	88,262	82,886	79,172	93,520	89,679	94,027	123,589	53,878	119,852	315,765
CLOSING RETAINED EARNINGS	45,435	58,207	78,222	84,473	88,262	82,886	79,172	93,520	89,679	94,027	123,589	119,852	119,852	315,765	538,376

DGS COMPUTERS INC.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable are calculated as the portion of sales that are assumed to be collectable in subsequent periods. The Company projects it will take 40 days to collect a receivable. A factor of 0.5% of sales has been allowed for bad debts.

NOTE 4 INVENTORY

Inventory of computer hardware, software, and supplies is recorded at projected cost. Inventory is projected to turn over 10 times during the year, which is slightly higher than the previous year's 8.5 times. Management believes this turnover will be achieved by selling more lower margin products through its retail outlets.

NOTE 5 DEFERRED DEVELOPMENT COSTS

The Company's original accounting policy regarding the development of the point of sale software was to expense all development costs. Management believes the cost to develop this software over two years was approximately $390,000. This is not reflected in these projections.

The accounting policy has been changed for these projections to isolate the costs incurred to develop the POS software. For these projections, Management will capitalize further programmer wages and benefits relating to the POS software. Future developments include updating the software to run in a Windows environment.

These deferred costs are being amortized over five years on a straight line basis. Amortization is charged at one half of the annual rate in the year the costs are incurred.

NOTE 6 CAPITAL ASSETS

Capital assets are recorded at projected cost. Amortization has been provided at the following rates:

Furniture and equipment	20%	declining balance
Computer hardware	3 yrs	straight line
Computer software	2 yrs	straight line
Training room assets	3 yrs	straight line
Leasehold improvements	5 yrs	straight line

Amortization is charged at one half of the annual rate in the year of acquisition of an asset.

DGS COMPUTERS INC.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 7 BANK INDEBTEDNESS

The Company has provided a General Security Agreement on accounts receivable and inventory as well as personal guarantees issued by the Shareholders as security on the bank indebtedness. The maximum line of credit is currently $100,000 but the Company is in the process of renegotiating the amount. It is projected the Company will obtain the necessary line of credit to meet the cash requirements contemplated in these projections.

NOTE 8 ACCOUNTS PAYABLE

Accounts payable are assumed to include monthly general and administrative expenses, purchases of inventory, and purchases of capital assets. It is projected any payables that arise from operations will be paid 60 days from the date of incurrence.

NOTE 9 LONG TERM DEBT

At January 31, 1995, the Company has a note payable to an affiliated company which was used to develop the training room. The Company projects to replace this note with a term loan from a chartered bank. Management anticipates that the loan will be repaid over three years with principal payments of $3,750 per month plus interest at 11% per annum.

NOTE 10 DEFERRED TAXES

The Company uses the deferral method of income tax allocation. Income taxes are provided at current rates for all amounts included in the statement of earnings regardless of the period in which such amounts are reported for income tax purposes. Taxes not payable in the current accounting period are recorded as deferred.

DGS COMPUTERS INC.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 11 CAPITAL STOCK

Authorized, unlimited numbers of class:

A voting - participating shares
B voting - participating shares
C non-voting - cumulative, redeemable, preferred shares
D non-voting - cumulative, redeemable, preferred shares

Issued

167 Class A shares	$167

It is projected that there will be no issuances of share capital during the projection period.

NOTE 12 INCOME STATEMENT ASSUMPTIONS

(a) Revenue: The Company attributes the increase in sales to a full year of sales in a retail outlet. Management anticipates adding a second store in 1997 and a third in 1998. Computer products includes sales of hardware, software and custom programming and are projected to increase with access to new markets.

Training revenue includes any software courses taught in the training centre. Revenue projections are based on two training classes per week.

Sony support is a monthly fee for the provision of software support for their POS system. This fee is projected to increase as more Sony outlets are opened and use the POS software.

(b) Cost of Goods Sold: The cost of goods sold relate directly to computer product sales. An average margin of 16% is projected to be obtained.

(c) Commissions: The Company's sales staff earn a commission of approximately 4% of gross revenue.

(d) Salaries and benefits: These costs include the salaries for all programmers, administration staff, service staff, and management. Staff are projected to be added as new outlets are opened in 1997 and 1998.

Notes to the Projected Financial Statements
For the Years Ending January 31, 1996 to 1998

NOTE 12 INCOME STATEMENT ASSUMPTIONS (CONTINUED)

(e) Advertising and Promotion: It is projected that the Company will advertise on a weekly basis using newspapers and radio as the primary advertising media. Grand openings and promotional material are also included in this total. As the number of retail outlets increases, the advertising budget is projected to increase.

(f) Rent and Operating Costs: The amounts are based on current lease agreements. This expense will increase as new retail outlets are added. All programming will continue to be done at the existing premises.

(g) In contemplation of the transaction referred to in Note 2, income taxes are based on the current rates provided by the Canadian Income Tax Act for public companies. The first year's taxes have been reduced due to loss carry forwards of approximately $170,000.